صكذا من الاجل

FINANCIAL TIMES

World Business Newspaper http://www.FT.com

WEDNESDAY SEPTEMBER 16 1998

In praise of older managers
'They have no more axes to grind'
Page 16

Scotland
'Independence is now a serious possibility'
John Lloyd, Page 18

Corporate IT networks
Bridging the gap between Unix and NT
Page 14

Germany
Former communists may undermine SPD
Page 2

WORLD NEWS

Iran puts 500,000 troops on alert in dispute with Taliban

Iran's supreme leader Ayatollah Ali Khamenei put its 500,000-strong armed forces on alert, intensifying pressure on Afghanistan's Taliban militia to halt its military campaign. On Sunday the Taliban seized Afghanistan's main Shia Moslem stronghold of Bamiyan. Shia Iran accused the Sunni Moslem Taliban of committing genocide against the Shia and called on the UN to prevent more deaths. Page 20

Clinton faces fresh setback
Video tapes of President Bill Clinton's evidence in the Monica Lewinsky affair could be released to the public by the end of this week, despite opposition from Democratic congressmen. Republicans believe the tapes will play a crucial role in the debate over whether to impeach the president. Page 6

Dispute over Milan airport
The European Commission will outlaw the Italian government's plans for the opening of a new airport terminal outside Milan next month, after talks on the competition implications broke down. Page 2

Tax increases for Dutch
Dutch taxes are to rise next year said prime minister Wim Kok, partially reversing actions the government took before last May's general election. Page 2

Blair backs consumer shake-up
British prime minister Tony Blair is backing a review of consumer protection regulation as part of efforts to curb the "nanny state" – excessive state controls over individuals. Page 10

Albania gets tough with opposition
Albania's Socialist-led government reasserted its authority after two days of violence in Tirana, ordering opposition supporters to hand over weapons seized from the army. Page 2

South Africa in EU trade talks
European Union and South African officials are hoping for a breakthrough as they resume four-year-old talks on a free trade agreement. Page 4

Brussels retreat on car parts
Europe's consumers will still be able to shop around for car spares from competing manufacturers after the EU backed away from plans which would allow carmakers to copyright industrial designs. Page 3

UN to seek change in Algeria
A UN panel is to call on Algeria to reinforce civilian government and speed up privatisation, but human rights organisations and government critics will see the recommendations as rather feeble. Page 5

Ukraine central bank warning
Ukraine's central bank is in danger of violating IMF conditions if it spends its foreign exchange reserves to defend its currency or service its debts, said its governor Viktor Yushchenko. Page 3

Israel accused over deportations
Israel has been accused by human rights activists of continuing to deport Palestinians from east Jerusalem. Page 5

Prime suspect
American computer expert Aaron Blosser has been accused of hacking into the US West system and using 2,500 telecoms computers in a bid to solve the 350-year-old mathematical problem of finding a new prime number.

BUSINESS NEWS

Thomson-CSF says it faces loss after restructuring costs

French defence electronics group Thomson-CSF said a restructuring to help it face tougher European competition could push it into loss in 1998. Page 21; Lex, Page 20

Cummins Engine shares plunged 17 per cent in early trading after the US maker of large diesel engines warned of a sales slump. Page 21

ING, Dutch financial group, said it would pursue European expansion, after its purchase of a large stake in BHF-Bank of Germany. Page 25

Christiania Bank, Norway's second largest lender, announced a merger with rivals Fokus Bank and state-controlled Postbanken to create the country's biggest financial services group, valued at up to NKr28bn ($3.6bn). Page 21

Rhône-Poulenc shares and those of Hoechst fell sharply after rumours that the French and German life sciences groups faced further problems at their troubled Centeon blood products joint venture. Page 21

SAirGroup, parent of Swissair, and US leasing company GATX are creating the world's third biggest aircraft leasing business by merging their operations. Page 25

Minoan Lines, Crete-based operator, raised the stakes in a race to modernise Greece's passenger ferry fleet by placing a $250m order for two ships with Italian shipyard Fincantieri. Page 4

Coca-Cola, US soft drinks company, pledged to maintain staffing levels at Orangina, the company it has offered to buy for FFr5bn ($883m) from French beverage group Pernod Ricard. Page 25

Caisse Nationale de Prévoyance, biggest French life assurance company, aims for a 12 per cent return on equity after it is floated on the Paris stock exchange next month. Page 26

Michelin shares fell sharply after the French tyremaker reported a 12.6 per cent decline in first-half profits to FFr1.63bn ($260m). Page 25

Hong Kong approved a HK$64bn (US$8.25bn) rail project, giving a potential boost to the beleaguered economy. The West Rail project will serve the more remote New Territories. Page 20

Drott, Swedish property company, raised its takeover bid for Näckebro, valuing the rival group at SKr3.36bn ($427m). Page 25

Saga Petroleum, Norway's third largest oil company, warned that write-downs would wipe about NKr1.6bn ($212m) off its net profits for the first eight months. Page 25

Ford, US vehicle builder, says it is still the most suitable candidate to take over South Korea's bankrupt Kia Motors. Page 22

Euro Prices
A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets. Page 29

Russia turns back the clock

Central bank chief calls for hard currency controls

By John Thornhill and Arkady Ostrovsky in Moscow

Victor Gerashchenko, the new head of Russia's central bank, yesterday called for reimposing state controls over exporters' hard currency earnings, harking back to Soviet methods of regulating foreign exchange market.

The central bank is also planning to bail out favoured domestic banks by giving them new credits, calculated on the par value of restructured short-term treasury bills (GKOs).

Mr Gerashchenko's comments, which followed a meeting with President Boris Yeltsin in the Kremlin, are the strongest indication to date of how far Russia's new government could go in reverting to Soviet-style methods of regulating the economy and resorting to the printing press.

Foreign investors, who estimate the nominal value of their GKO holdings has fallen to about 3 cents on the US dollar following a forced debt restructuring, fear the central bank's bail-out will amount to discrimination in favour of domestic bond holders.

Boris Fyodorov, the former acting deputy prime minister who has not been offered a job in the new government, said the government's apparent intention to print money would be certain to ignite inflation. He condemned the central bank's plans to discriminate against foreign GKO holders as "immoral". "I do not believe in a 'controlled emission' of money. Once the drug is in the veins it is very difficult to resist another dose. You want more and more and more until you are dead," he said.

A group of academic economists headed by Leonid Abalkin, prominent in the late Soviet era, yesterday claimed the government intended to adopt all the main points of their programme set out in an open letter to the Russian media.

The main points of the programme include the "controlled" emission of roubles. This should allow the government to pay off wage and pension arrears and inject liquidity into Russia's cash-strapped industries, using special credits.

Mr Gerashchenko said a number of "technical questions" needed to be overcome before the central bank could print money. He said any monetary emission could only take place after a new team was appointed at the central bank, the government had set out its economic course, and consultations had been held with the International Monetary Fund.

Senior Russian officials led by Yevgeny Primakov, the prime minister, met IMF and World Bank officials in Moscow to discuss the possible disbursement of the next $4.3bn tranche of the fund's support loan. Afterwards the western officials said they agreed with the "strategic goals" of the government.

Sign of the times: St Petersburg pensioners pass a wall with graffiti reading 'No money? Kill the bank director' AP

Saving Russia, Page 18

Radical nationalist set to win Bosnia poll

By Guy Dinmore in Belgrade

The leader of Bosnia's ultra-nationalist Radical party looks set to defeat the western-backed president of the Serb-controlled half of the country, with most votes counted from last weekend's elections.

If confirmed, the result will deal a serious blow to international efforts to push forward the Bosnian peace process.

Western officials, who asked not to be named, said Nikola Poplasen, the Serb Radical party leader, had opened up a 40,000-vote lead over President Biljana Plavsic with some 20 per cent of votes from a total electorate of 1.2 million still to be tallied.

An alliance of the Radicals and the nationalist Serb Democratic party (SDS) might also be able to form a government in Republika Srpska, the Serb half of Bosnia.

Three contests are being fought – for the presidency, the assembly and Republika Srpska's representative on Bosnia's three-person collective presidency.

In Sarajevo, the Organisation for Security and Co-operation in Europe (OSCE), which ran the elections, at the last minute reversed a decision to announce partial results.

Mr Robert Barry, head of the OSCE mission in Bosnia, told reporters: "The only figures that count are figures that are complete and integrated."

Diplomats said the OSCE and Carlos Westendorp, the international community's High Representative in Bosnia, were desperately hoping that the votes still to be counted – from abroad and absentee voters within Bosnia – would tip the balance away from the ultra-nationalists.

But a large number of Serb refugees in Yugoslavia are expected to back Mr Poplasen. Officials also believed that Moslem hardliners in the Moslem-Croat federation had told absentee Moslem voters to support Mr Poplasen as a way of halting the process of ethnic integration through refugee returns.

Ordinary Bosnians were suspicious that the decision by the OSCE meant the international community was preparing to rig the results. Diplomats were dismayed at the outcome. They said it would effectively put an end to efforts to rebuild an integrated Bosnia. One aid package has already been put on hold.

Turmoil threatens Latin America

By Our International and Financial Staff

Moody's Investors Service, one of the biggest credit rating agencies, yesterday warned that Latin America could fall victim to the international financial crisis.

The warning came as George Soros, the financier, urged the Group of Seven leading industrial countries to intervene to prevent the flight of capital caused by the crisis in Russia spreading to Latin America.

Gordon Brown, the UK chancellor, said yesterday that broad agreement had been reached among financial leaders on the kind of action that might be necessary to contain the turmoil and restore confidence.

However, German central bankers ruled out interest rate cuts in response to the Asian and Russian financial upheaval.

Hans Tietmeyer, president of the Bundesbank, said economic circumstances differed in Europe – where economic growth has been picking up strongly this year – from those of the US and Japan.

Vincent Truglia, head of sovereign ratings at Moody's, said the market crisis was likely to persist for some time. "The longer this persists the more likely there will be another default [after Russia]. If that happens we could see emerging markets shut off from international credit for a very long time."

Mr Brown said G7 central bank governors and finance ministers stood ready to help Japan in its efforts to reflate its economy and push through financial restructuring.

He declined to say precisely what that help might be. But it seems that a co-ordinated reduction of interest rates would be considered if the financial markets crisis deepened, perhaps as a result of devaluation by Brazil or further stock market losses.

Mr Brown also said the G7 was considering the question of whether capital market controls could be desirable, but he was not to be drawn on the conclusions.

In testimony before the banking committee of the House of Representatives, Mr Soros said Russia's collapse represented "a total financial meltdown" which would have "incalculable human and political consequences".

Reporting by Edward Luce and Max Wilkinson in London, Wolfgang Münchau in Frankfurt, Richard Wolffe in Washington, Geoff Dyer in São Paulo

Warning for Russia, Page 2
Interest rates rebuff, Page 10
A house of cards, Page 19
Lex, Page 20

UBS may buy out links with LTCB

By Gillian Tett in Tokyo

Long-Term Credit Bank of Japan is drawing up plans for UBS of Switzerland to buy out most of the ailing Japanese bank's stakes in their joint ventures.

The plans are likely to leave UBS with complete control over their asset management tie-up, and effective control over the investment banking group. UBS has already taken 100 per cent of the private banking venture.

If the sale goes ahead, it would mark a further weakening of the high-profile alliance, which was the most comprehensive tie-up between a western bank and a Japanese partner when it was forged a year ago. It would also bring about another significant step in the drive by foreign financial groups to improve their presence in Japanese markets.

The plans have emerged at a time when LTCB's liquidity problems are causing growing political concern. On Monday its share price touched a record low of Y19 on fears that the government was revising plans to bail it out.

The ruling Liberal Democratic party is due to hold another meeting with opposition parties today to discuss its plans to merge the bank with Sumitomo Trust and inject up to Y1,000bn ($7.51bn) of public funds. The opposition has criticised this plan, and some LDP politicians have indicated they would consider nationalising LTCB instead.

While the political uncertainty continues, neither UBS nor LTCB want to make a public announcement about their alliance, or sign a binding agreement. Matthew McGrath, UBS spokesman, said: "Considerable progress has been made in our discussions with LTCB and Sumitomo Trust and we believe that these will shortly reach a mutually beneficial conclusion in the best interests of shareholders, staff and clients."

LTCB has indicated it would let UBS buy its 50 per cent stake in the asset management joint venture and most of the 50 per cent stake it holds in the investment banking venture.

UBS said the alliance had boosted its position in Japan. Vittorio Volpi, UBS Japan chairman, said: "We regret that LTCB has gone into serious problems because we still think that it was the best partner for us in Japan. From [the alliance] we could see the importance of having a partner strong in their own market as opposed to being a foreign firm ... and we have seen the quality of their staff."

The outcome of LTCB's plans is likely to be closely watched by other western banks, given the recent flood of alliances between Japanese and western partners. These include a tie-up between Nikko, Japan's third largest securities house, and Travelers, the US financial group, which allows Travelers to purchase up to 25 per cent of Nikko.

WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	8,005.34	(+59.99)
NASDAQ Composite	1,665.83	(+0.14)
Europe and Far East		
CAC40	3,698.00	(-16.81)
DAX	4,831.22	(-65.27)
FTSE 100	5,281.7	(+13.1)
Nikkei		(closed)
US Lunchtime RATES		
Federal Funds	5.5575%	
3-mth Treas Bills: Yld	4.79%	
Long Bond	103[illegible]	
Yield	5.24%	
OTHER RATES		
UK: 3-mo Interbank	7¾%	(same)
UK: 10 yr Gilt	115.6563	(115.234)
France: 10 yr OAT	105.47	(105.19)
Germany: 10 yr Bund	108.31	(108.97)
Japan: 10 yr JGB	[illegible]	(114.74)
NORTH SEA OIL (Argus)		
Brent Dated	$12.685	(12.63)

GOLD		
New York Comex	$290.2	(290.6)
London	$289.7	(289.95)
EXCHANGE RATES		
Dollar		
New York Lunchtime		
£	1.6743	
DM	1.6[illegible]	
FFr	5.5927	
SFr	1.3942	
Y	133.2	
London		
$	1.6736	(1.6768)
DM	1.687	(1.7031)
FFr	5.6555	(5.71)
SFr	1.3929	(1.4043)
Y	132.755	(133.055)
Tokyo Close		(closed)
Sterling		
DM	2.8237	(2.8557)

CONTENTS

Full contents and Lex: back page

WORLD NEWS
EUROPE

AIRPORT BATTLE EUROPEAN COMMISSION SAYS ROME MAY NOT FORCE ALITALIA RIVALS TO USE OUT-OF-TOWN HUB

Brussels outlaws Italian airline move

By James Blitz in Rome and Michael Smith in Brussels

The European Commission will today outlaw the Italian government's plans for the formal opening of a new airport terminal outside Milan next month.

The move follows the breakdown of talks between Rome and Brussels on the competition implications of the project.Both sides said protracted negotiations over Malpensa airport had reached a dead-end.

Neil Kinnock, the EU transport commissioner, has repeatedly warned the Italian authorities that the lack of effective road and rail links to Malpensa from Milan will be a major disadvantage for nine European airlines which are being asked to move their operations there next month. The airport is 50km from Milan's city centre.

Alitalia will use the new hub for short-haul and long-haul flights. But unlike most of its European rivals, it is also being allowed to continue using Linate airport, much closer to the city centre, for flights from Milan to Rome.

The other airlines complain that their Italian intercontinental customers are being asked to use Malpensa as a feeder airport taking them on the first leg of the journey to the airlines' own European hubs.

They say they will lose customers attracted by Alitalia's long-haul link through Linate and Rome.

A spokeswoman for Mr Kinnock said last night that the talks had broken down "not because we have shut the door but because the Italians cannot answer the problems of discrimination".

Today's decree should still allow Malpensa to open formally on October 25. But it will give a measure of legal support to any European airline refusing to move from Linate to Malpensa.

"The Italians must now ask themselves what they will do to move them," said an EU official.

A spokesman for Romano Prodi, the Italian prime minister, insisted that the Rome government was fighting its ground over the issue. "He [Mr Prodi] believes that what is at stake is the national interest, that the country has a right to a northern hub and that it has been losing thousands of passengers and jobs to its rivals for too long."

The commission argued that one reason for the breakdown in talks was that Italy continued to insist that European airlines that stayed at Linate could remain there for no more than a year. In Mr Kinnock's view, it will take two years for effective rail and road links to Malpensa to be built.

Mr Prodi's office said that so much flexibility was being demanded by Mr Kinnock for the airlines that would remain at Linate that Malpensa would simply fail to attain hub status.

Mr Prodi's office said Italy now had three choices over how to respond to today's decree: it could take the matter to the European court, close Linate altogether or come to a new agreement with Mr Kinnock.

Russia urged to spur industry

By Arkady Ostrovsky in Moscow

Russia should abandon tight monetary policies in favour of paying off wage and pension arrears and reviving industry, including the military industrial complex, Leonid Abalkin said in an interview yesterday.

Mr Abalkin, who is emerging as an architect of Russia's new economic policy, said printing money was a necessary step which would help revive the economy, stimulate production and demand, and ease social pressures.

"We are for the market reforms. But these reforms must have social orientation. You can only have successful reforms if they benefit the middle class," he said.

Mr Abalkin, who was a top economic adviser to Mikhail Gorbachev, the last president of the former Soviet Union, is now finding his proposals for the economy repeated by the new government.

He said the government's top priority must be supporting science and technology-based industries. These include the military-industrial complex and industries that add value, rather than raw commodities such as crude oil and natural gas on which Russia has relied for the past six years.

"For example, we should not be selling just crude oil, but oil products," Mr Abalkin said.

"There is a world market for weapons, in which we had the same position as the US. Now we have lost this position. So why should the US benefit from their sales of arms and we should not?"

Mr Abalkin said the new programme would make Russia the fifth largest economy in the world.

Under Mr Abalkin's programme, "there must be an automatic mechanism of a controlled [rouble] emission" which should come into action if the federal government cannot meet its social and financial obligations. This, according to Mr Abalkin, would not lead to hyper-inflation.

"The word emission became a scarecrow, which frightens people to death," Mr Abalkin said in a further article to be published later this week in the Russian press.

In his article Mr Abalkin argued that inflation was not a direct function of increasing money supply.

He said a 40 per cent annual inflation rate would only stimulate the growth of the economy.

ALBANIA VIOLENCE NANO GOVERNMENT ORDERS OPPOSITION SUPPORTERS TO HAND OVER WEAPONS

Tirana plans to prosecute Berisha

By Guy Dinmore in Belgrade

Albania's Socialist-led government, after two days of violence in the capital Tirana, yesterday said it would prosecute former president Sali Berisha for organising an armed uprising and ordered his supporters to hand over their weapons.

Earlier Fatos Nano, prime minister, accused Mr Berisha in a televised address of trying to stage a coup.

He added: "Sali Berisha should not think that we shall wait endlessly for all the weapons to come out of the Democratic party headquarters." Mr Nano said he guaranteed the safety of Mr Berisha and other opposition leaders once they surrendered their weapons. But, he added, police would shoot any criminal or citizen who failed to obey orders.

Mr Berisha denied he was behind a coup attempt, calling Mr Nano a "terrorist" and telling him to resign. Government officials said Mr Nano had no intention of stepping down, but that a reshuffle of the ruling coalition was expected.

After two days of the worst violence seen in Tirana for 18 months, police loyal to the government succeeded in restoring order across the city on Monday night. Tirana airport was open for flights but shopkeepers kept shutters down after widespread looting.

Mr Berisha's supporters handed over to the police two tanks seized from the army on Monday yesterday but armed men held their ground inside the Democratic party headquarters. Earlier several thousand Berisha supporters defied a government ban and staged a peaceful march through central Tirana.

Police said they killed three looters on Monday while the interior minister said police had also suffered casualties.

The European Union called on Albania to hold all-party talks. The Organisation for Security and Co-operation in Europe (OSCE) was trying to persuade the Democratic party to end its boycott of parliament and renew talks on writing Albania's constitution.

"This was a serious attempt to overthrow the government," commented Timothy Isles, deputy head of the OSCE mission in Tirana.

"But put in perspective there was a band of no more than 500 militants bent on creating chaos and anarchy. The rest of the country was quiet and they got no widespread support."

More than 2,000 people died during a civil uprising last year triggered by the collapse of fraudulent savings schemes.

An Italian-led multinational force helped to restore order and the Democratic party was heavily defeated by the Socialists in elections in June last year.

Former communists try to keep the east German conjuring trick going

If the PDS is successful, Gregor Gysi could hold the balance of power in Bonn, writes **Frederick Stüdemann**

X German elections

A magician entertains the children in a house on the vast east Berlin housing estate of Marzahn, one of the citadels of the Party of Democratic Socialism, successors to East Germany's communists.

While the man of magic – brought in by the local PDS to distract the kids – plucks handkerchiefs out of thin air, outside in the drizzle the party's officials are performing a different sleight of hand with a broad platform of policies aimed at persuading voters to back them in the federal election on September 27.

If the PDS is successful it may end up holding the balance of power in the Bundestag, the lower house of parliament, and playing a trick on the mainstream political parties, which have ostentatiously shunned the party because of its communist past.

Gregor Gysi, the PDS member of parliament for Marzahn and one of the wittiest and trickiest rhetoricians in German politics, appears to relish the prospect of being the unwanted king-maker. "Without us there can be no political change," boasts the small, bespectacled lawyer. A vote for a "Red-Green" coalition of the opposition Social Democratic party (SPD) and Greens would bring, he claims, only a change in government and not a change in policies.

The irony is that the intricate workings of Germany's electoral system could turn the PDS into the handmaiden of a grand coalition between the SPD and Chancellor Helmut Kohl's Christian Democrats who, if the former communists get enough seats in parliament, may find themselves unable to form a majority with their preferred respective partners, the Greens and the liberal Free Democrats.

The policies offered by the PDS are a mix of traditional leftwing commitments to redistribute wealth through taxes, boost employment through the creation of a "third sector" of socially orientated publicly financed jobs and promises to put more money into health and education while taking care of the environment.

But support for the PDS is not just linked to its policies. Since unification the party has positioned itself as the advocate of east Germans against an overbearing west.

Gregor Gysi of the PDS aims to woo young voters with posters proclaiming that the heirs of the former East German communist party are now 'cool' and 'sexy' AP

Since unification it has positioned itself as the advocate of the east against an overbearing west

The party manifesto is peppered with calls to remove the apparent iniquities of unification. These include the return of property expropriated under communism, discrimination against teachers and other professionals whose qualifications are not fully recognised by western institutions and "political investigations" into people who served the communist regime. The last point is close to Mr Gysi's heart as he is alleged to have been an "informal co-worker" of the Stasi, the East German secret police.

In the 1994 general election the strategy of playing the eastern card paid off when the PDS won 30 seats. Many easterners backed the party because they saw a vote for the PDS as a means of sending a signal to the established (western) parties in Bonn.

The PDS got into the Bundestag thanks to its victory in four constituency seats in Berlin, including Marzahn. Under German electoral law, parties must either win at least three direct seats or secure 5 per cent of the national vote to be represented in parliament. The PDS won just under 20 per cent of the east vote and less than 1 per cent in the west, giving it an overall national figure of just under 5 per cent.

This time the result threatens to be close again as opinion polls show support in the east solid at about 20 per cent and around 1 per cent in the west. Mr Gysi and other senior party officials say they hope that even a minimal increase in the west could carry it over 5 per cent.

In the constituencies the PDS faces a greater challenge thanks partly to significant population shifts in the party's strongholds. In central east Berlin, where the PDS won in 1994 with Stefan Heym, a respected novelist, as candidate, an estimated 40 per cent of voters are newcomers. Many were attracted by the area's fashionable location. Most are not typical PDS voters.

But it is not just the newly trendy parts of the capital which have sucked in new inhabitants. In Marzahn, where the prefabricated, centrally heated tower blocks were seen as highly desirable dwellings under communism, there has been a change in the demographic profile as middle-income families have moved out to the suburbs or more attractive apartment blocks closer to the centre. In their place have come people like the 12,000 ethnic Germans from the former Soviet Union who, Mr Gysi worries, are perhaps more likely to vote for the governing conservative parties than for PDS.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D
SWEDEN:
Responsible Publisher: Bradley P Johnson, Telephone +46 8 791 2345. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
R

KOK'S BUDGET PREMIER PROMISES 'STURDINESS' AS WELL AS SOCIAL SECURITY FUNDING

Dutch tax increase plans under fire

By Gordon Cramb in The Hague

Dutch taxes are to rise next year, partly reversing steps the government had taken before the general election last May.

Wim Kok, returned as prime minister in a centre-left coalition, said yesterday that the country's annual budget would supply the sturdiness needed to withstand worsening world circumstances.

But the VNO-NCW, the main employers' federation, called the budget a "wrong start" by the new government. "Strongly rising spending, a heavy increase in taxes for business and individuals and a deficit which is not declining symbolise the incapacity of the cabinet to adjust policy to the economic threats which surround us."

Jaap de Hoop Scheffer, leader of the opposition Christian Democrats, said: "It is a year of tax increases for everyone – citizens and business. In the election campaign you heard only about tax cuts."

Outlining the budget, Mr Kok said it would deliver funds for a social security reserve set up last year. He rejected suggestions that tax increases were being brought in to cover either pre-election spending or a subsequent shortfall in natural gas revenues.

"There is no cause for alarm, but we have to be alert," he added. By official forecasts, real growth in gross domestic product will slow from 4 per cent this year – the highest since 1990 – to 3 per cent in 1999. Economists at ABN Amro project only 2.5 per cent growth.

The official jobless rate is expected to drop below 5 per cent next year. But employment growth is expected to slow from 3 per cent to 1.75 per cent.

The budget is based on a 2.25 per cent assumption for average GDP growth over the next four years. But the assumption was described by the Council of State, the government's highest advisory body, as "not so sure".

The council criticised plans to devote a quarter of any benefits of higher growth to renewed tax cuts, saying it should be committed to a further reduction in the public deficit.

The deficit is projected to be 1.3 per cent of GDP this year and next, rising from 0.9 per cent in 1997. Government debt for 1999 is on course to reach 66.7 per cent of GDP, a reduction of two percentage points.

Energy tax will increase by a third, as part of a phased doubling of a burden which will initially fall largely on households. Proceeds are being returned through an adjustment to income tax designed to benefit lower earners, and to business by the easing of employment obligations.

The overall tax take rises by Fl 1.5bn ($790m). This removes nearly a third of the Fl 4.6bn reductions – equivalent to 0.6 per cent of GDP – delivered last year in a budget which was geared to the election.

Dutch official studies have shown that, of the country's main European competitors, only Denmark and Belgium demand more for their state coffers.

Although windfalls this year are covering nearly 12 per cent of its funding requirements, the state may need to raise as much as Fl 56.6bn from the capital markets. To meet heightened competition from other sovereign borrowers in the single currency zone, the minimum size of individual issues will increase from the current Fl 15bn, promoting liquidity.

NEWS DIGEST

AIR QUALITY

EU car emissions accord clears its final hurdle

An ambitious European Union agreement calling for action from carmakers and oil companies to improve air quality cleared its final hurdle yesterday as it was approved by the European Parliament.

The vote clears the way for the so-called Auto Oil programme to be adopted into EU law before the end of the month.

A compromise agreement between ministers and the parliament imposed mandatory standards for petrol and diesel fuel quality, and for exhaust emissions of gases such as carbon monoxide and nitrogen oxides, for both 2000 and 2005. Ministers had earlier agreed on only "indicative" limits for 2005.

The oil industry has suggested the programme could cost Ecu32bn ($37bn) to implement over 15 years, while carmakers have estimated their costs over the same period at Ecu60bn. **Neil Buckley, Strasbourg**

GREEK PRIVATISATION

Adviser for Ionian sale

Greece's state-owned Commercial Bank is to appoint J.P. Morgan, the international investment bank, as advisers in a renewed effort to privatise its biggest banking subsidiary by the end of this year.

The sale of Ionian Bank is an important test of the Socialist government's commitment to structural reforms agreed in March with the European Union. Greece is seeking to join Europe's single currency by January 1 2001.

With a market share of almost 7 per cent and more than 200 branches around Greece, Ionian is the first big state-controlled bank to be offered for sale under the government's privatisation programme.

A six-week strike at Ionian earlier this year underlined union opposition to privatisation. Commercial withdrew an offer to sell a 51 per cent stake last month on grounds that the only bid was too low. Despite its high market capitalisation, Ionian is only marginally profitable, with operating expenses equivalent to almost 70 per cent of operating income. **Kerin Hope, Athens**

HOLOCAUST FUNDS

Austrian bank under scrutiny

New documents discovered in Poland allegedly show a close business relationship between the Austrian bank Creditanstalt and Nazi concentration camps during the second world war, raising the likelihood that the bank will be sued by Holocaust survivors.

The documents, published by the Austrian news magazine Profil, allege that the Cracow branch of Creditanstalt acted as a transfer agent for Polish families that wanted to send funds to relatives in the camps. The bank received a fee of Sch100 ($8.40) at today's prices for every money transfer.

Creditanstalt, now part of Bank Austria, is already being targeted for a possible class action suit by the US lawyer Edward Fagan, who represents Holocaust victims and their heirs in several law suits against European banks and insurance groups. Mr Fagan is scheduled to come to Vienna today. **Eric Frey, Vienna**

SLOVAKIA

Dispute at TV station

TV Markiza, Slovakia's main commercial television station, stopped broadcasting yesterday when it was occupied by its new owners after a court judgment. Pavol Rusko, general director and former co-owner of a 51 per cent stake in the station's operating company, went on air to announce that he had been sacked and called on his employees to halt broadcasting.

Mr Rusko, a prominent opposition supporter, has said his company's seizure is "political revenge" by the government and that he would leave the country until after the election next week because he feared arrest. The broadcasting regulator has also criticised TV Markiza for its election coverage and has halted one of its programmes.

Last month a court sold Markiza-Slovakia, a company owned by Mr Rusko and his partner to Gamatex, a private company, for Sk232,000 ($6,666) after he failed to honour a disputed contract. The remaining 49 per cent of STS, the operating company, is owned by Central European Media Enterprises, a US-listed company, the main commercial television broadcaster in the region. **Robert Anderson**

EUROPEAN COURT

BP wins investment case

BP Chemicals yesterday won a challenge in the European Court against a European Commission decision that a L3,000bn ($1.8bn) investment in Italy's state-owned EniChem did not constitute state aid.

BP brought the challenge in January 1995, after Brussels decided not to investigate the investment because it would generate returns that would similarly have attracted a private investor in a market economy.

The investment was the last of three financial injections into EniChem to fund a restructuring programme, which included closure of several uncompetitive chemical plants.

The first two payments were classified as state aid, but approved by the Commission. However, Brussels decided that the third investment was not state aid and so did not conduct the normal approval procedure.

The court ruled that since the three investments were made over less than two years as part of a continuing programme, there were no grounds for treating the final payment differently.

The first two investments had brought no returns. Indeed, they left EniChem "still making significant losses which threatened its continuing viability".

The Commission, which can appeal against the court's ruling, has been ordered to pay two-thirds of BP Chemicals' costs in bringing the case. **Jenny Luesby, London**

ITALIAN CRIME

Police say Mafia aide held

Italian police yesterday arrested Mariano Troia, believed to be the right-hand man to the boss of the Sicilian Mafia.

But officials were quick to warn that the fight to dismember the Mafia's core was far from over.

"This is an extraordinary arrest. It must not be underestimated," said Giuseppe Lumia, member of the anti-Mafia committee in the lower house of parliament. "But now we have to devote all our energies to the other high-profile fugitives."

Mr Troia, 65, was captured at dawn when police stormed his hideout on the outskirts of Palermo.

He is accused of having worked behind the scenes to help mastermind some of the Mafia's highest-profile crimes, including the 1992 killing of Salvo Lima, an Italian member of the European Parliament. **Reuters, Rome**

هكذا من الاصل

Car parts copyright plan dropped

By Neil Buckley in Strasbourg

Europe's consumers will continue to be able to shop around for spare parts for their cars from competing manufacturers after the European Union yesterday backed away from plans to allow carmakers to copyright industrial designs across the EU.

Car parts manufacturers such as Pilkington, Lucas Varity and St Gobain broadly welcomed a compromise between the European Parliament and EU ministers, approved by parliament yesterday, which will maintain the *status quo* in the Ecu15bn-a-year ($17.5bn) market.

The European Commission, the EU executive, proposed legislation to harmonise legal protection of designs for all sorts of complex products, including car parts, in 1993, in the face of vastly differing legislation in different member states.

Countries such as the UK, Spain, Germany and Italy provided little legal protection, while others gave design holders full legal protection.

Harmonising the rules was seen as an important part of completing the EU's single market.

But the subject proved so controversial that EU ministers were unable to reach a common position until 1997, when they "agreed to disagree" by proposing to allow EU states to continue to maintain different rules.

Countries with strong protection were not prepared to see this watered down, while others argued that allowing carmakers to copyright parts for long periods would restrict competition and consumer choice.

The European Parliament, which shares responsibility with ministers in agreeing single market issues, attempted to insert a so-called "repairs clause".

This would have allowed other manufacturers to make parts for repairs if they paid a "fair and reasonable compensation" to the design holder – a form of compulsory licensing. Ministers rejected the clause.

The final compromise allows EU states to maintain existing laws on industrial designs, and to change them only "if the purpose is to liberalise the market for such parts".

Rupert Hughes, of the Campaign for the Freedom of the Automotive Parts and Repair market, said that the compromise was "on the whole satisfactory".

"We're obviously disappointed that there is no final solution. But we're satisfied that the directive sends a clear message that when any state changes its law it has to be in the direction of liberalisation," Mr Hughes said.

The European Commission is due to re-examine the situation after three years and to invite carmakers and parts manufacturers to reach a voluntary agreement on design protection.

But industry insiders suggest there is little chance of a voluntary agreement.

Ukraine currency reserves warning

By Charles Clover in Kiev

The Ukrainian central bank is in danger of violating International Monetary Fund conditions if it spends its foreign exchange reserves to defend its currency or on servicing its debts, the governor of the central bank said yesterday.

A $170m loan tranche falls due this week, and the government would like creditors to roll over their securities into bonds of two year maturities being offered by the finance ministry.

A default on the bond, which is denominated in hryvnia but hedged in dollars, could trigger a cross default clause in Ukraine's outstanding eurobonds, causing them to become due immediately, according to western bankers. The payment falls due on September 19, with another tranche of equal size due in December.

But spending central bank funds to meet the payment could cause reserves to fall below the level specified by the IMF as a condition for a $2.2bn, three-year loan which the Fund started disbursing last week.

Ukraine's gross hard currency reserves yesterday stood at over $1bn, after the infusion of the first $256m tranche of the IMF loan, according to Viktor Lysytsky, chief economist at the central bank.

Up to $900m in World Bank loans could also be made available this year, with $260m available by the end of this week, according to John Hansen, chief economist at the World Bank in Kiev. However, analysts said this money could not be spent on debt service, as the IMF-specified reserve floor had taken into account further multilateral credits.

"A waiver of these requirement requires a board decision by the IMF," said a western economist in Kiev.

"If they default, they would lose access to international capital markets for years. On the other hand, if they service their debt, and undertake the structural reforms, they might be able to come back to the markets in six months," said Alexander Bazarov, head of Credit Suisse First Boston, the investment bank, in Kiev.

Viktor Yushchenko, the central bank governor, added that a plan to restructure 1.1bn hryvnia ($354m) in short-term government debt owed to local banks was "entirely voluntary", contrary to press reports that the restructuring amounted to a default. He said the government was negotiating with local banks to try to restructure 1.1bn hryvnia in treasury bills into longer maturities.

FRUIT OF THE LOOM US CLOTHES GROUP MAY CUT JOBS

Ireland ponders move to recover grant

By John Murray Brown in Dublin

The Irish government said yesterday it was prepared to take legal action against *Fruit of the Loom* to recover a grant of I£11m ($16m) to the US clothes manufacturer and retailer, which is threatening to reduce its Donegal workforce.

The dispute comes amid reports that Fruit of the Loom plans to move some of its Donegal T-shirt sewing factories to a lower-cost location in Morocco.

The row is a reminder that Ireland – the European Union's fastest growing economy – is finding it harder to provide competitive wage rates for low technology operations.

On Monday Mary Harney, the deputy prime minister and minister for enterprise and employment, held an ill-tempered meeting with Bill Farley, chairman of Northwest Industries, Fruit of the Loom's parent company, in a bid to limit the job cuts and secure guarantees on severance payments.

After taking legal advice, the Irish government told the company it owed the government I£11m for employment grants in respect of the 700 workers threatened with redundancy.

Mary Harney, Ireland's deputy prime minister: sought to limit the job losses

Officials say that when Mrs Harney demanded the repayment in full, Mr Farley "took great exception, and then disputed the figure".

Ms Harney is due in Donegal today to announce a task force to attract new jobs to the area, which suffers 20 per cent unemployment against the national level of 9 per cent.

Fruit of the Loom employs more than 3,000 workers in eight factories set up in the 1980s in Donegal and across the border in Northern Ireland, having bought out the McCarter family business. Around 1,100 workers are to be put on a three-day week from Monday.

In a parallel development, the Industrial Development Agency, the government's investment authority, is about to launch its first ever court proceedings against a foreign investor in a case against Hartmann, a Dutch electronics company, over a smaller I£2m grant.

Dublin's insistence on recovering the money underlines a new self confidence of the Irish authorities when dealing with foreign investors in whom they feel disappointed.

Ireland is establishing a new tax regime for foreign investors, with a new 12.5 per cent corporation tax rate to be phased in from 2003.

With those investors set up before that date set to benefit from the current 10 per cent rate, the European Commission has taken the unusual step of limiting the number of new investments signed up during the transitional period.

Spanish group seeks to clean up as euro approaches

€ Living with the euro

By David White

It is really a pretty bald statement, coming from the head of a big industrial group: "We will never again raise prices. Never."

Salvador Gabarró smiles, knowing that the first reaction is disbelief. "Everybody laughs," he says. "But my organisation is already convinced."

It is one of the firm conclusions he has come to about the implications of Spain's membership of the euro, the single currency to be adopted by 11 member countries of the European Union from January 1.

Mr Gabarró is chief executive of Roca Radiadores, running an increasingly multinational empire from the company's base in Barcelona. Roca is, in a literal sense, a household word: Spain's most frequently encountered make of sanitaryware.

He expounds a radical version of the changes in commercial and industrial practices which will be required to succeed in the euro-zone. These include a complete overhaul of the way products are distributed and clients are billed in markets which will no longer be defined by national borders.

When prices become transparent between one euro-zone country and another, they will tend to level out, and to level out downwards, Mr Gabarró says. Wages, he believes, will be much slower to converge, which means that Spain – and even more Portugal, where Roca has three plants – will keep a relative advantage in manufacturing costs.

"I think it will take many years for a Spanish worker to earn as much as a German," he reckons.

But the competition in Roca's sector will also come from non-member countries such as Turkey – where the group recently bought a half-share in a sanitaryware manufacturer.

"I know what will happen if I don't have competitive prices," he says, convinced that Roca's French and German competitors will have to cut theirs to come into line.

"Everyone is looking to see how, if I don't increase prices, I can earn more money." His answer: an annual productivity gain of 6 to 8 per cent. He plans to introduce continuous design improvements, and squeeze suppliers.

The advent of the euro marks a distant extreme from the climate of cosy protectionism in which companies such as Roca grew up in Catalonia. Roca started during the first world war as a repair shop for textile machinery, run by three brothers. Seeing the decline in textiles, the region's traditional staple industry, they went to work in France to look for an alternative trade, and came back to make cast-iron radiators – thus the company name. This led to cast-iron baths, then porcelain.

With 7,000 employees and 1997 sales of Pta130bn ($906m), it now ranks among the world's top 10 bathroom suppliers – one of a number of privately controlled family companies in Catalonia that have quietly but rapidly turned themselves into European or global enterprises.

The Roca family, always reluctant to publicise its affairs, still owns the company but no longer holds any management posts. Five years ago, the company was 90 per cent geared to the Spanish market. Now a third of its business is abroad, including both exports and foreign production. It has factories in the Dominican Republic, Portugal, Italy and Morocco, is building one in Poland and plans another in China.

Roca plans to restructure its commercial network throughout the single-currency zone, cut administrative jobs and centralise its billing in euros. "We see it very clearly," says Mr Gabarró.

In anticipation, it has already this year closed a storage facility it had in Portugal for bathroom tiles. The Portuguese market, says Mr Gabarró, will now be treated in the same way as a Spanish region. The group will in future have a reduced number of logistical centres, not necessarily in each target country, a single central administration, and salesmen travelling in cars across Europe.

And as for prices, he is already practising what he preaches. With consumer demand rising strongly in Spain, there would be room for some increase in on the company's catalogue of bathroom equipment. But it has not changed its prices since January last year and has no plans to do so. "Ever." insists Mr Gabarró.

THAILAND DRINKS LUCRATIVE MONOPOLY OF THE SURAMAHARAJ GROUP IS TO CEASE BY THE END OF NEXT YEAR

Bangkok to liberalise liquor production

By Ted Bardacke in Bangkok

Thailand yesterday announced it would liberalise its liquor production at the end of next year, ending one of the country's tightest held and most lucrative monopolies.

Since 1986 the Suramaharaj group, controlled by Charoen Siriwatanapakdi, has operated each of the country's 12 distilleries via a concession from the government, which owns the production facilities. Mr Charoen has also controlled the rights to all local whisky trademarks, including the Mekong and Sangtip brand names.

Under a decision taken by Thailand's cabinet, the concessions with Mr Charoen will not be renewed when they expire at the end of 1999. Instead the government will either sell or lease its 12 distilleries to different companies.

In addition, the government will auction the rights to use the various brand names, which although called "whiskies" are actually low-cost rums. There has a been a renewed surge of sales and a rise in popularity of these drinks since Thailand's economic crisis.

Investors, including foreigners, will also be able to receive distilling licences and construct new production facilities. Already Boonrawd brewery, which competes with Mr Charoen in beer brewing, says it will enter a joint venture with Suntory of Japan to purchase a distillery or build a new one.

Any new entrant will face stiff competition from Mr Charoen. Executives of Suramaharaj say they are repeating a strategy employed decades earlier when their monopoly was threatened and building up a stock of whisky – likely to top 60m litres by the time the concession expires – that could make competitors suffer losses for years.

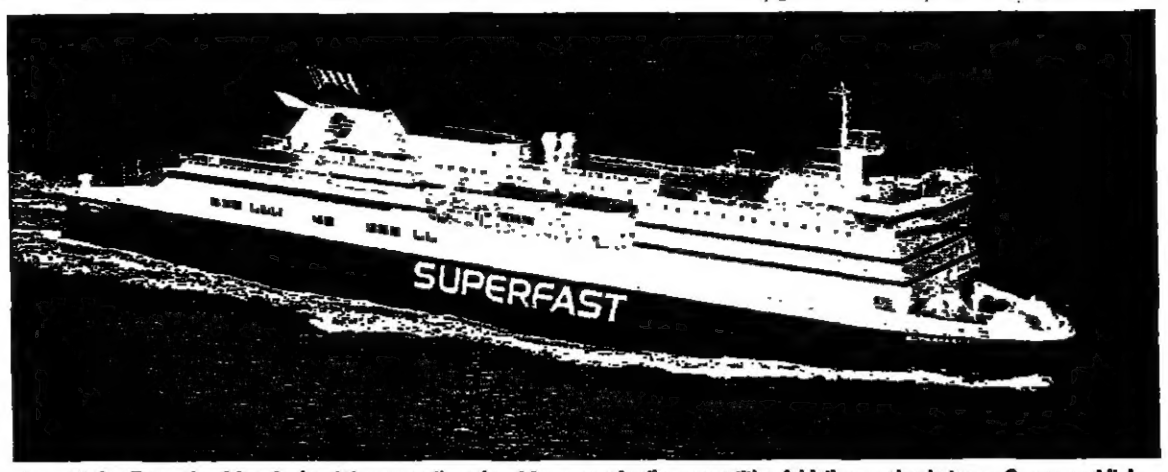
The decision is a further setback for Mr Charoen, who recently saw his large stakes in First Bangkok City Bank and Bangkok Metropolitan Bank wiped out when they were nationalised.

Mr Charoen had used his well honed lobbying techniques to argue for an extension of his concessions, arguing that government revenue would drop as the royalty fees outstripped potential tax earnings. Boonrawd claims that in the 10 years Mr Charoen has had the whisky monopoly, the government has actually lost Bt70bn ($1.7bn) in revenue.

Finance ministry officials agreed that in the first few years of liberalisation revenue was likely to drop slightly. But they argue that the revenue pattern is likely to follow that of beer, which was liberalised a decade ago and contributes more to the government than whisky.

Operators race to modernise Greek ferries

By Kerin Hope in Athens



One of Attica Enterprises' fast ferries: it has recently ordered four more for the competitive Adriatic crossing between Greece and Italy

Minoan Lines, the Crete-based operator, has raised the stakes in a race to modernise Greece's passenger fleet by placing a $250m order for two high-speed ferries with *Italy's Fincantieri* shipyard.

Minoan said yesterday the two new ferries, due to be delivered in 2000 and 2001, would cut the sailing time between Piraeus and Heraklion, the busiest Greek island route, from 12 to six hours. Each vessel would carry up to 2,200 passengers and 1,000 cars.

Several Greek operators have launched fleet renewals ahead of the abolition in 2003 of cabotage regulations, which would open up Greek island routes to international operators. The latest order raises the total investment in new buildings by Greek ferry operators to almost $1bn. Established operators were able to cover at least 80 per cent of the cost of a new ferry through bank loans, *with the rest* coming from cash flow and rights issues on the Athens stock exchange, analysts said.

Competition is sharpest on the Adriatic crossing between Greece and Italy, the main route to EU markets for Greek exporters and the most popular gateway for tourists bringing cars and campers to Greece.

Greek ferry operators are expected to introduce high-speed vessels on long-haul domestic routes in 2000. More catamarans and hydrofoils would be licensed to operate shorter routes carrying tourists to the Aegean islands, merchant marine ministry officials said.

Last month, Attica Enterprises, which already operates four fast ferries between Greece and Italy, placed a $450m order with Howaldtswerke Deutsche Werft, a German yard, for four high-speed ferries and took an option for another two vessels. The first two are due to be delivered early in 2000

"Competitive pressures mean there is no alternative to the fast ferry, and the lifting of cabotage sets a deadline for everyone," said Yannis Criticos, Attica's finance director.

Attica, which is listed on the Athens stock exchange, has arranged a loan package with KWF, the German bank, after raising Dr20bn ($67m) through a rights issue earlier this year. Minoan raised Dr15.4bn in March through a public offering. Since introducing fast ferries in Greek waters four years ago, Attica has become the market leader on the Adriatic route with a 2530 per cent share of passenger and truck traffic. Its main competitor is Minoan, with three fast ferries.

A third Greek operator, Strintzis Lines, has placed its first order for a high-speed ferry with Van Der Giessen De Noord, a Dutch shipyard. It will cost $88m and is due to be delivered in 2000. Strintzis will finance the order out of its own funds, following a $100m private placement with institutional investors abroad.

NEL, a small passenger operator based on the north-east Aegean island of Lesvos, plans to replace a 32-year-old ferry due to be retired in 2001 with two high-speed vessels which would each carry 1,000 passengers and 200 vehicles.

S Africa edges towards EU pact

By Neil Buckley in Strasbourg

European Union and South African officials are hoping for a breakthrough as they resume four-year-old talks today on a free trade agreement.

Both sides had hoped the deal could be wrapped up before South African President Nelson Mandela's visit to the EU's Cardiff summit in June.

But the complexities of the proposed pact, which would liberalise about 90 per cent of trade between the two sides, defeated efforts to complete the talks before Cardiff, with Mr Mandela leaving empty-handed. EU leaders, however, set an autumn target for agreement.

The deal is also a test case since it will be the first such trade agreement between the EU and a member of the *70-nation Lomé Convention* – African, Caribbean and Pacific countries which enjoy trading privileges with the EU.

Under plans for renegotiation of Lomé, to start in coming weeks, elements of the existing system are due to be replaced by new regional free trade areas.

EU officials are optimistic the next three days of talks, the 21st round since 1994, could be the last at technical level, leaving only small details to be decided at political level.

But significant differences remain in important areas. One is the comparative speed of tariff dismantling on industrial products, including textiles, chemicals, cars and steel.

Liberalising agricultural trade is particularly sensitive, with South Africa anxious to get access to the EU market for products such as canned fruits and juices – highly problematic for the EU.

South Africa is unhappy with the current EU offer on agriculture and is insisting on more concessions.

The two sides must also agree on rules of origin, and competition and state aid rules. South Africa is adopting its own competition and subsidies laws and wants to see these in place before agreeing to submit to the EU's.

The EU has linked the main trade deal to successful agreement on a side deal on fisheries, providing for mutual market access, and allowing European vessels to fish in South African territorial waters.

But South Africa is unhappy with the linkage.

NEWS DIGEST

INDONESIAN INVESTMENT

Hopewell halts work on $620m power project

Hopewell Holdings, the Hong Kong-based infrastructure group, yesterday issued a *force majeure* notice to safeguard its HK$4.8bn (US$620m) investment in its Indonesian power project, Tanjung Jati B. Work will cease on the project, which is now unlikely to meet its 2000 completion date. The move was triggered by an inability to draw down loans necessary to complete the work. According to Hopewell, loans were withdrawn and contractors suspended work as confidence in Indonesia – and power projects in particular – evaporated.

Hopewell *has continued its Indonesian investment* throughout the country's economic and political turmoil, which prompted many other project sponsors and financiers to pull out earlier. Yesterday Gordon Wu, chairman of Hopewell, said he believed the contract could still be successfully completed. "We will continue to work closely with the Indonesian parties to enable work on the project to resume as soon as possible," he said.

Hopewell said it would make provisions against the Indonesian power project, which is its sole power interest following the sale of Consolidated Electric Power Asia to Southern Company of the US in October 1996.

The group already made provisions last year for its equity holdings and the scrapped Bangkok road and rail system. **Louise Lucas, Hong Kong**

VIETNAM POWER PROJECT

Mitsubishi wins big contract

Mitsubishi Heavy Industries has won a turnkey contract from Vietnam's state-owned power company, Electricity of Vietnam (EVN), to construct a much-delayed 1,000MW gas-fuelled thermal power plant at Phu My south-east of Ho Chi Minh City. The project, under discussion for more than five years, is backed by a Y48.8bn ($373m) loan from Japan's Overseas Economic Co-operation Fund (OECF); no details of the final contract price were released. In 1993, the loan was the first to Vietnam to be approved by *the OECF but the bidding process and contract award* were delayed by a series of disputes between OECF and EVN.

The new plant, to be completed by the end of 2000, will form part of a larger power and industrial complex at Phu My, which will eventually be supplied by offshore gas reserves from the Nam Con Son Basin, under a $1.5bn development proposed by BP and Statoil. Phu My is already the site of a 600MW World Bank-funded power plant, the first stage of which was completed last year. **Jonathan Birchall, Hanoi**

BULGARIA TELECOMS

Western groups interested

Eight western telecommunications groups have expressed interest in Bulgaria's plan to sell 51 per cent of the state-owned Bulgarian Telecommunications Company (BTC). It will be the country's biggest privatisation deal and is expected to value BTC at between $1bn and $1.5bn.

Preliminary information on BTC has been requested by a group of European and US telecoms operators, including France Telecom, Deutsche Telekom, KPN of the Netherlands, Telecom Italia, OTE of Greece, Matav of Hungary, Telefonica of Spain and SBC Communications of the US.

Most of the companies have existing interests in fixed line or mobile telephone operations in east Europe, and OTE and Telecom Italia are currently competing to buy a strategic 35 per cent holding in Rom Telecom, the state-owned telecoms utility in neighbouring Romania.

Romania's efforts to stage a serious bidding contest for the Rom Telecom stake have been hit by the recent withdrawal of both KPN and SBC from the negotiations, however, and there are fears in Sofia that the current turmoil in emerging financial markets could also cut the field of potential bidders in Bulgaria. Telecoms groups must register with the Bulgarian privatisation agency in coming weeks in order to start due diligence investigations. **Kevin Done, East Europe Correspondent**

US to mediate in conflicts over Caspian oil

By Christopher Parkes in Houston

Bill Richardson, US energy secretary, plans a diplomatic campaign to settle the politi*cal dogfights slowing the* exploitation of oil reserves in the Caspian Sea basin.

After talks with US oil and gas company executives and energy ministry officials from Turkmenistan at the World Energy Council (WEC) congress *in Houston this* week, he said he expected to visit the region very soon.

It was important for US national security, and that of the world, he claimed, for stability to be restored.

The US might offer to act *as a mediator in the Turk*menistan-Azerbaijan dispute as part of a "major effort... to accelerate energy security needs for the United States and our allies," he said.

Mr Richardson, a former US ambassador to the United Nations, said the US had "policy preferences" for the disputed route of a pipeline to transport Caspian oil and gas, but refused to give details. But Cumhur Ersümer, Turkish energy minister, took the opportunity provided at the WEC event, attended by about 5,000 politicians and oil, gas and utility industry executives, to underscore his country's claim to provide an "energy bridge" from the Caspian.

Turkey expected its current reliance on imports for 60 per cent of its energy needs to rise to 75 per cent by 2010, he said. Consumption was increasing by 8 per cent a year, compared with about 2 per cent in industrialised countries.

As a big importer, and offering "a natural bridge" between the landlocked Caspian and central Asia regions, he said Turkey had a critical role to play in opening these areas to inter*national markets.*

State-owned Turkish Petroleum has stakes in several Caspian joint ventures, and the government is eager to see disputes settled and work starting on the projected Baku-Ceyhan oil pipe*line, a 1,730km link* between Azerbaijan, crossing Georgia, and ending at Turkey's Ceyhan marine terminal.

The feasibility of a gas line passing through Turkey to Europe from Turkmenistan was still under study, Mr *Ersümer* said.

Although there is much debate over the scale of Caspian oil reserves – Washington's estimates are more than four times those of the International Energy Agency – US oil companies have already invested more than $3bn in the region and their joint venture commitments total almost $40bn.

In his prepared speech to the congress, Mr Richardson stressed the impact of spreading industrialisation on demand for oil. In little more than 20 years, extra demand would exceed current production from the Gulf, he said.

The strain on resources was cause for concern, but expanding consumption could also be a driver of economic recovery, stability and growth in all parts of the world. The benefits for exporting countries would include a share of the $30,000bn needed to finance energy projects worldwide over the next 20 years.

EMERGING MARKETS MOODY'S SAYS GROWING LIKELIHOOD OF DEFAULT ON LATIN AMERICA DEBTS

'Real risk of self-fulfilling prophecy'

By Edward Luce, Capital Markets Editor, in London

The report issued by Moody's Investors Service yesterday could not have come at a worse time for emerging market governments.

Moody's, which came in for severe criticism for allegedly having failed to anticipate the Asian financial turmoil last October, said there was a growing likelihood Latin America could default on its foreign debts if the current turmoil persisted. Standard & Poor's, Moody's global rival, issued a similar warning on Monday.

"It is a question of how long the crisis continues," said Vincent Truglia, head of sovereign ratings at the agency.

"At some stage Latin American and other governments will have to refinance their foreign debt obligations. If the markets remain closed to them this could precipitate default."

However, economists said the Moody's report could help trigger the very crisis it was supposedly warning against.

"The markets take a lot of notice of the credit rating agencies," said an analyst at a European investment bank in London.

"There is a real risk of self-fulfilling prophecy in all of this."

Mr Truglia said that Moody's had responded to some of the criticisms of its handling of the crisis in Asia last year.

This included a more prompt response to changing conditions.

"Investors want early notification of any difficulties they may face in emerging markets," he said. "In a sense we are getting ahead of the curve."

The report follows a series of sovereign credit downgradings by Moody's and S&P over the last few weeks.

Several countries, including Brazil, Argentina, South Korea and Mexico, have had their foreign currency bank deposits downgraded to the Caa level by Moody's.

Anything rated at Caa or below is considered a ripe candidate for default on its foreign debt although Moody's refuses to assign an actual probability to it.

The long-term foreign credit ratings of Brazil, Mexico and Argentina have also been downgraded or are on review for almost certain downgrading to single B or possibly even Caa in the next few weeks.

Analysts said that Pakistan was considered the most likely country to default over the next few weeks. But, given its relatively low volume of foreign currency debt held by the private sector, a default by Islamabad would have much less of an impact on market psychology than one by Brazil or even Venezuela.

UN panel's report on Algeria seen as 'feeble'

By Roula Khalaf

A United Nations panel is to call on Algeria to reinforce civilian government and speed up privatisation of the economy.

The recommendations, in a report to be released today, follow a visit in July by a panel of eminent people led by Mario Soares, the former Portuguese president.

The report marks the international community's latest attempt to help end six years of violence. It follows the surprise announcement last Friday by President Liamine Zeroual of early presidential elections, raising fears of more political uncertainty.

Human rights organisations and government critics will see the general recommendations as rather feeble. The language of the report is believed to have been watered down following tensions among the six panel members.

The panel took pains not to offend the authorities in the report, insisting that Algeria deserved the support of the international community in its efforts to combat terrorism and ignoring human rights organisations' questions about the identity of the perpetrators of massacres.

The report does not condemn alleged human rights abuses by the authorities, but says that "law-enforcement, security and self-defence forces should be held to strict standards of accountability" and that it is with more democracy and more respect for human rights that one can fight terrorism.

It calls on the authorities to give "expeditious attention to the complaints of arbitrary detention, extra-judicial execution and disappearances".

The panel also believes it is indispensable to strengthen democratic pluralism and to reinforce the civilian element in government, which is feasible.

While urging the international community to support Algeria's political and economic policies and its anti-terrorism struggle, the report warns that, if social conditions deteriorate, "it could have a very negative impact on the Mediterranean region, in Europe and in the international community".

The panel said it believed there was considerable room to increase the pace of privatisation to tackle high unemployment and housing shortages, and said it was "crucially important" for the government to consider social reform.

Several limitations were placed on the panel's visit. They were not allowed to meet representatives of the banned Islamic Salvation Front.

They and were also told that security reasons prevented them from visiting the house of a Berber singer whose assassination this summer had destabilised the Berber region of Kabylia.

Foreign reporters had been allowed to visit the house during the panel's visit.

Thabo Mbeki: his office held months of consultations with business leaders Ashley Ashwood

S Africa fund launched to boost jobs

By Victor Mallet in Johannesburg

South African big business – including banks, industrial groups, newly created black-owned corporations and the Anglo American conglomerate – yesterday launched a trust fund aimed at reducing the country's 30 per cent unemployment rate.

The fund, to be financed by a voluntary levy, is also expected to help improve strained relations between government and business. It is being established after months of consultations between business leaders and the office of Thabo Mbeki, the deputy president, who is expected to take over from President Nelson Mandela after a general election next year.

The ruling African National Congress and its Communist and trade union allies have long regarded capitalism in general and South African businesses in particular with suspicion. They have accused big companies of collaborating with the white minority regime during the apartheid era .

Leslie Boyd, chairman of Anglo American Industrial Corporation, told a meeting of business leaders yesterday that job creation was vital for South Africa's future.

"It is, in my view, also in the interest of our companies and our shareholders that we should be seen to be part of the new South Africa, and thoroughly committed to making the country work for all South Africans," he said.

Business executives say the new fund will focus on education and training – neglected under apartheid for the black majority and still inadequate today – and on creating jobs in the tourism sector, which is regarded as having a high growth potential in the immediate future.

They hope businesses will contribute at least R1bn ($160m). Michael Spicer, a director of Anglo American, said the proposed formula was for listed companies to donate the equivalent of 0.15 per cent of their market capitalisation, with non-listed companies giving 2 per cent of after-tax earnings.

In a nod to the recent weakness of the Johannesburg Stock Exchange, Mr Spicer suggested an alternative formula for listed companies under which they would pay 0.03 per cent of their market value each year for five years. Some companies have lost half their market capitalisation in the recent global financial turmoil and would therefore be paying half as much as originally planned.

The companies involved emphasise that business will control the fund (there will be 12 trustees from business and eight from government) and say they prefer using their money in this way rather than handing it over to the state. Management costs will be limited to 5 per cent of the money raised.

Palestinians 'being deported from Jerusalem'

By Judy Dempsey in Jerusalem

Israel has been accused of continuing to deport Palestinians from east Jerusalem through the confiscation of residence permits, hindering family unification and blocking the registration of new births.

The claims, denied by the interior ministry, were made in a report published yesterday by B'Tselem, the Israeli Information Centre for Human Rights in the Occupied Territories, and HaMoked, Centre for the Defence of the Individual.

They run counter to earlier government pledges to ease such policies. They also suggest that Israel wants to establish "facts on the ground" through the construction of Jewish settlements in and around east Jerusalem before starting talks on a final settlement with the Palestinians.

Last year, government officials said bureaucratic obstacles hindering residence by Palestinians in Jerusalem would be removed. Under pressure from Madeleine Albright, US secretary of state, who raised the issue during her visit to the region a year ago, Benjamin Netanyahu, prime minister, apparently intended to change the law.

Instead, the report says that the interior ministry, with support from the National Insurance Institute, has adopted administrative measures to revoke identity cards and deny families health insurance.

In addition, since the election of the Netanyahu government in 1996, the confiscation of residence permits has increased, the groups claim – on the grounds that residents stayed away from the city for several years or did not make it "the centre" of their life. In 1995, 96 permits or identity cards were confiscated compared with 689 in 1996 and 606 last year. Five hundred cases are under review.

The report, supported by interviews and cases submitted to the High Court, said the ministry was also using administrative measures to block family unification requests, which last year totalled 7,470. The ministry claims it grants requests only "in exceptional cases". Last year it said it would grant permanent residence status for only five years and three months but only after approval of the request for family unification.

Moreover, the ministry does not automatically register children born to east Jerusalemites, or issue them identification numbers which would record their residence as well give parents the right to claim health insurance allowances.

B'Tselem claims the state National Insurance Institute, which provides health insurance to every Israeli resident, does not provide automatic insurance to east Jerusalemites. It first conducts exhaustive investigations to verify residence, often taking several months, even though the family may have residence papers.

CLINTON STRATEGY HIS ADVISERS SAY HE SHOULD ADMIT HE LIED; HIS LAWYERS THINK IT WOULD BE LEGALLY DANGEROUS TO DO SO

Torn between the political and legal

By Gerard Baker in Washington

Throughout the eight months of the worst crisis of Bill Clinton's presidency, there has been almost tangible tension between his legal team and his political advisers and supporters. In the wake of the publication of the Starr report alleging possibly impeachable offences by Mr Clinton that tension is taking on new significance.

The outcome of the struggle is seen as crucial by both sides to Mr Clinton's ability to survive the impeachment process whose preliminary proceedings are about to begin.

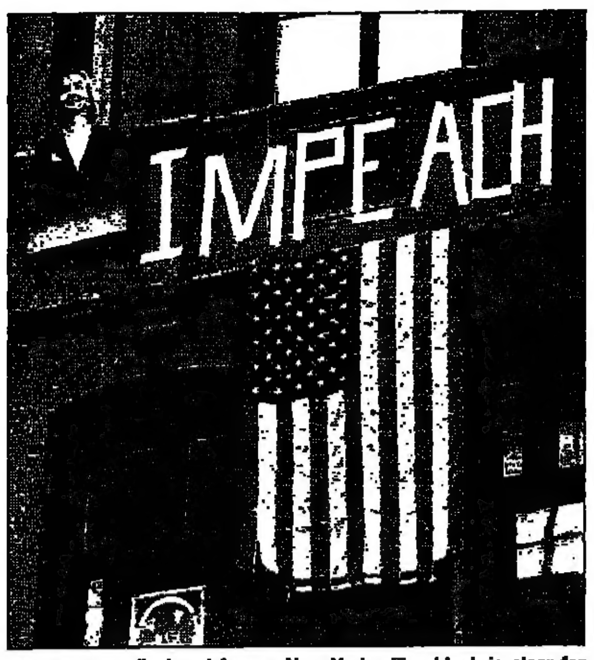
"The problem is that what may be in Mr Clinton's political interest is not necessarily in his legal interest," says Stephen Wayne, professor of government at Georgetown University.

The main point of contention between the two teams, following the Starr report, is over Mr Clinton's tortuous legal defence to the charge by Mr Starr that he committed perjury in answering questions about the nature of his relationship with Monica Lewinsky, the former White House intern. The perjury charge accounts for four of the 11 alleged grounds for impeachment identified by the independent prosecutor. Most independent legal analysts seem to believe that the other charges – from obstruction of justice to abuse of presidential power – though persuasive, will probably not be supported by incontrovertible evidence.

Mr Clinton's official defence to the perjury allegation – repeated over the weekend – represents the triumph of his legal advisers over his political strategists.

It says that he did not commit perjury, either in his deposition in the Paula Jones sexual harassment lawsuit in January or in his grand jury appearance last month, when he said he did not have a sexual relationship with Ms Lewinsky, because the type of sex they had – oral sex – did not constitute sexual relations.

This insistence on a legalistic defence has outraged many Democrats. On Monday, both Richard Gephardt, the party's leader in the House of Representatives, and Tom Daschle, the Democratic leader in the Senate, ridiculed this approach as "hairsplitting".



The message displayed from a New York office block is clear for President Clinton Reuters

"The president and his advisers must accept that continued legal jousting serves no constructive purpose," said Senator Daschle.

That frustration is shared by many of the White House political strategists. They look closely at their daily opinion polls and infer that, for all the public distaste at Mr Clinton and his undeniably egregious behaviour, the American people believe that the Lewinsky affair is essentially a case of "lying about sex".

In taking that position, the people seem to accept that Mr Clinton probably did commit perjury – but do not think it merits impeachment. There appears to be widespread public enthusiasm for what Americans term "closure" of the saga, with a public admission by the president that he did not tell the truth, some form of congressional rebuke – and an end to the crisis.

But Mr Clinton's lawyers, led by David Kendall, see things differently. They think the politically attractive route has enormous legal pitfalls.

Specifically, there are three legal concerns:

- Admitting perjury (a felony, for which an offender could be sent to prison) could leave the president liable to prosecution by the normal criminal courts when he leaves office. The statute of limitations on perjury is five years, meaning that any time between January 2001, when he leaves office and some time in 2003, the president could find himself in the dock.
- The revelation that the president lied under oath in the Paula Jones lawsuit could be used by Ms Jones's lawyers as a critical argument in their appeal against dismissal of the case.
- Acknowledging perjury could still leave the president in jeopardy of impeachment. A number of lawmakers, including some Democrats, have said they regard perjury as an impeachable offence. The worry among some political advisers is that by maintaining the hairsplitting approach the president is continuing to lie. Since most people believe he did have sexual relations with Ms Lewinsky, repeating his denial, even in convoluted legal terms, could lead to an erosion of the public support for him.

For that reason, many political commentators believe Mr Clinton's best option is to drop the "no perjury" claim. In the end, his fate lies with the American people, who already seem to have made up their minds on the question of his veracity, and have decided it does not matter enough to warrant impeachment.

"The people have cut to the bone of this issue," said Prof Wayne. "They know he did wrong; they know he did not tell the truth. But in the end they don't believe that amounts to enough to have him removed."

Clinton video tapes set to be released

By Richard Wolffe in Washington

Video tapes of President Bill Clinton's evidence in the Monica Lewinsky affair could be released to the public by the end of this week, despite opposition from Democratic congressmen.

The tapes could prove a further embarrassment to the president, who was accused last month of lying under oath in cross-examination by Kenneth Starr, the independent prosecutor.

Mr Clinton's evidence before a grand jury was recorded by cameras in the White House and transmitted via a secure link to the grand jury sitting in the federal courthouse in Washington.

Republicans believe the tapes will play a crucial role in the debate over whether to impeach the president. Mr Clinton is accused of committing perjury before the grand jury, as well as *obstructing justice, to cover* up trysts near the Oval Office with Ms Lewinsky, a White House volunteer.

In particular, Mr Clinton's critics hope the tapes will show a president keen to engage in legal hair-splitting rather than providing a clear account of his affair with Ms Lewinsky – in stark contrast to his public apologies in recent days.

The White House appeared to acknowledge those concerns yesterday, but persisted with its determined defence against the perjury claims.

"The president has made it clear that he does not want the work of his lawyers to get in the way of his admission that he had an improper relationship and misled people to keep it private. No legalism should obscure the fact that it was wrong," the White House counsel's office said.

Members of the House judiciary committee – along with more than two dozen staff workers – are now sifting through more than 2,000 pages of documents filed by Mr Starr alongside his report last week. The committee is expected to vote on whether to publish portions of the documents towards the end of this week, after editing out any confidential information involving "innocent" individuals.

Republicans and Democrats in the House continue to disagree sharply over how to deal with the charges set out by the Starr report.

Richard Armey, the House majority leader, said a motion of censure – instead of impeachment – was "not an option that holds a lot of attraction".

However, Democrats insist that the public does not support impeachment.

Newt Gingrich, the House speaker, said the House would not formally adjourn when it finished its legislative work before the congressional elections in November.

It could then be summoned back after the elections, while the judiciary committee continued its investigation into Mr Starr's arguments for impeachment.

Retail sales rise below forecasts

By Nancy Dunne in Washington

US retail sales increased by an estimated 0.2 per cent from July to August, the Commerce Department said yesterday. The monthly rise was weaker than the 0.5 per cent expected by economists, and was viewed by analysts as a further signal of a US *economic slowdown.*

The department also revised July sales downward to minus 0.6 per cent. Last month, July sales were thought to have dropped by 0.4 per cent from the previous month, mostly because of the General Motors strike which reduced the supply of new vehicles to dealers.

With this sign of sluggish growth, the markets will be watching the Federal Reserve ever more closely for hints of interest rate cuts.

There was little market reaction to the release of the data yesterday. US bond prices firmed slightly as dealers thought an interest rate reduction more likely. Alan Greenspan, Fed chairman, is to testify today on the global economic crisis in Congress and the Fed is to release its "beige book" evaluating economic conditions.

M Cary Leahey of High Frequency Economics in Valhalla, New York, said a weak retail report would increase demand for a rate cut. "Investors would be particularly excited if Greenspan found a way to comment on how significantly spending growth has slowed. "If comments by Greenspan *are followed by a 5 to 10* point drop in September consumer sentiment readings on Friday, the call for the Fed to lower rates would really intensify."

August sales were weighed down by an unexpected decline in the vehicle sector. Car sales fell by 0.2 per cent, depressing the overall retail sales rise.

Outside the volatile vehicle category, sales of other retail goods rose by 0.3 per cent in August.

An analysis issued by Morgan Stanley Dean Witter said the unexpected weakness in vehicle sales could be attributable to technical factors.

Many categories showed gains last month. Home furnishing purchases rose by 1 per cent; clothing by 1.2 per cent; drug stores by 1.1 per cent; food stores by 0.4 per cent.

Canada urged to relax bank rules

By Ted Alden in Toronto

Canada's restrictive rules on ownership of financial institutions should be relaxed to allow international strategic partnerships and investments by foreign banks, an influential study on the future of the Canadian financial sector said yesterday.

The study, commissioned by the federal government, said Canada's 10 per cent ceiling on individual shareholdings in any financial institution should be raised, subject to government approval, to 20 per cent for large institutions and eliminated for smaller ones.

The Canadian government should, under exceptional circumstances, permit a Canadian bank or other large financial institution to be bought outright by a foreign bank. The taskforce also recommended that foreign institutions should be allowed to lend money in Canada without establishing a physical presence in the country, and to engage in such unregulated activities as asset-based lending and wholesale finance.

As expected, the report did not comment directly on the two proposed mergers involving four of Canada's five largest banks. But it did say mergers between big banks should not be prohibited as long as they can show the public interest will be served by such combinations.

The report argues for greatly expanded competition in the heavily regulated Canadian financial services market. While it advocates curbs remaining to ensure Canadian ownership of most large financial institutions, it favours open competition among different types of financial institutions.

On the web today
- Obituary: George Wallace: symbol of the old south
- Republicans push on with fast-track bill
- Local telecom mergers 'should be stopped'

http://www.ft.com/americas

Clinton video tapes set to be released

Retail sales rise below forecast

Canada urged to relax bank rules

هكذا من الاجل

Sale setback shrugged off in Brazil

By Geoff Dyer in São Paulo

Confidence continued to rise in Brazilian financial markets yesterday despite a disappointing privatisation auction when only one group bid for Gerasul, the first of the country's large generation companies to be put up for sale.

Shares on the São Paulo stock exchange had soared 11.2 per cent by early afternoon, following a 7.8 per cent jump on Monday, as investors remained confident that an emergency finance package would be made available for Latin America if conditions deteriorated.

A positive interpretation of Monday's statement by the Group of Seven leading industrialised nations led investors to ignore the news that the recent turmoil in financial markets had taken its toll on Brazil's privatisation programme. Tractebel of Belgium offered only the minimum price of R$945.7m (US$802m) for Gerasul, despite predictions by analysts that the company would be sold for a 30-40 per cent premium. Two consortia which had pre-qualified to take part in the auction, led by AES of the US and Electricité de France, did not bid.

'It was natural for some investors to decide to wait a little'

Brazil's economic team, led by Pedro Malan, finance minister, has been in close contact with international *financial institutions* and foreign governments in recent days as concern about the fate of the Brazilian economy has increased. However, the government has maintained that it does need the help of the IMF.

Economists believe that an IMF package could be the best option for Brazil if heavy capital outflows continued. However, they said the government was likely to resist the option if it could before the October elections *for fear that it* might provoke a political backlash.

While the continued rally in the stock market was welcomed, economists warned it was too early to say that Brazil had survived the recent crisis. They cautioned that the euphoria could soon disappear if investors began to question the willingness of G7 governments and the IMF to help Latin America.

The outflow through the foreign exchange markets on Monday reached $898m, down from $1.7bn on Friday. This brings the September total so far to $13.6bn. Economists said they expected yesterday's outflow to be smaller.

Analysts said that the government had done well to complete the Gerasul auction given market conditions. "There are a lot of other generation assets in the pipeline for next year, so it was natural for some investors to decide to wait a little," said Walter Stoeppelwerth, analyst at Robert Fleming in São Paulo.

Other analysts believe the apparent difficulty in raising financing for the Gerasul sale could cause problems for the planned privatisation tomorrow of Bandeirantes, an electricity distributor.

Roller coaster: President Fernando Cardoso (left) shakes hands with Pedro Malan, finance minister AP

ARGENTINE ECONOMY SPENDING IN 1999 TO BE HELD STEADY

Buenos Aires keeps budget reins tight

By Ken Warn in Buenos Aires

Roque Fernández, Argentina's economy minister, has unveiled a tight budget for 1999 in the face of financial turmoil on the international markets.

The budget document, presented to the lower house of Congress's budget committee on Monday night, aims to hold primary expenditure down to $41.7bn, barely changed from this year's spending level which has already been trimmed by $1bn to reassure the markets.

The government faced a key market test yesterday as it prepared to auction $300m in 91-day dollar-dominated Treasury bills, known as Letes. Most analysts expected the government to pay a significantly higher interest rate to roll over the debt than when it ventured into the local market in August, when it sold peso-denominated bills at 7.8 per cent.

The budget cuts several key areas of expenditure, including administration, health, social security and education.

Spending on defence and security rises 4.7 per cent to $3.5bn.

However, interest payments on the public debt rise a sharp 15.5 per cent to more than $7.7bn, taking total expenditure up 2.1 per cent next year to $49.3bn.

Many private sector analysts see a sharper downturn

Argentina's return to the voluntary debt markets has boosted interest payments, the budget document notes, although maturities have been extended and, at least until last October, the country-risk premium has been steadily lowered.

The non-financial public sector deficit is forecast at $3.5bn, or just under 1 per cent of gross domestic product, against 1.21 per cent forecast this year. "Our 1999 budget takes the path of reducing the deficit and controlling spending," said Mr Fernández.

Economic forecasts accompanying the budget envisage growth of 5.3 per cent this year, slowing to 4.8 per cent next year. A 5.5 per cent growth rate is forecast for 2000 and 2001.

Many private sector analysts are forecasting a much sharper downturn next year as credit conditions tighten due to the international financial turmoil.

The budget document, which must still be debated and possibly altered by Congress, assumes Argentina will have continued access to world capital markets, albeit at higher costs than before the Asian and Russian crises, and that Latin America will withstand the current turmoil.

In other forecasts the budget document projects a 10 per cent rise in exports next year to $34bn and a 10.4 per cent increase in imports to $42.7bn.

Lending to poor pays dividends

By Peter Montagnon in London

Microcredit, the practice of lending to the very poor, can be extremely profitable, according to a survey of such lenders in Latin America. Some lenders show returns far in excess of those achieved by large US banks such as Citibank.

The survey of 13 institutions, conducted by the Private Sector Initiatives Corporation which aims to produce credit ratings on microlenders, found they were earning an average return on equity of 28 per cent after adjustment for losses on overdue loans and discounting of all subsidies.

One, the Caja de Arequipa in Peru, earns a 47 per cent return and pays generous dividends to the municipal authority which owns it.

The survey will provide fresh ammunition for supporters of microcredit who believe it has been unfairly shunned by mainstream financial institutions on the grounds that it is too risky and because the high cost of intermediating small credits makes it unprofitable.

According to Damien von Stauffenberg, the former World Bank official who set up Private Sector Initiatives, the numbers show "there can be little doubt that microfinance is entering the mainstream".

Typically, microlenders, which may be voluntary organisations or specialised banks and finance companies, will lend small amounts of money, often less than $10 at a time, to very poor people in developing countries to help provide working capital for a basic business.

Though the overheads can be high, experience shows defaults are low and borrowers, who are otherwise forced to rely on loan sharks, are prepared to pay a high real rate of interest.

Though Latin America has moved furthest towards the commercialisation of microfinance, it is also commonplace in other developing countries, and the World Bank estimates that more than $7bn of microcredit is outstanding.

Grameen Bank in Bangladesh has attracted worldwide attention, although its low capital base and low return on average assets makes it unattractive to private capital. Elsewhere, the European Bank for Reconstruction and Development devised a $100m programme with Russian banks that had been growing swiftly until the recent financial crisis.

Some microfinance experts believe the Russian programme, which is now threatened by the collapse of many of its local banking partners, might be large enough to attract the interest of a mainstream international bank anxious to build a presence in the country for the medium term.

Ecuador axes power subsidies to lift economy

Jamil Mahuad, president of Ecuador, has acted to lift the country's tattered economy by ending subsidies on electricity and gas, AP reports from Quito.

In a nationally televised address late on Monday night, Mr Mahuad, who took power early last month, promised to shelter the poor from the austerity measures and stave off social unrest by giving each poor family the equivalent of $16.40 a month.

Ecuador's currency fell by just over 10 per cent on Monday after the government shifted downwards by 15 per cent the band within which the sucre is allowed to trade. In March the central bank devalued the sucre by 7.5 per cent; the currency has fallen nearly 39 per cent this year.

Although Ecuador has one of Latin America's smallest economies, the latest measure has sparked fears of devaluations in the region. Two weeks ago neighbouring Colombia devalued its currency.

Mr Mahuad said he would eliminate state subsidies on electricity, natural gas and oil, which cost Ecuador more than $500m a year. He also said he would trim the bloated public service, improve tax collection and cut the number of government vehicles by 30 per cent.

The spending reduction is aimed at cutting annual inflation exceeding 40 per cent, one of Latin America's highest rates.

Ecuador has been hit hard by falling oil prices and the Asian economic crisis. Asian countries are among the main purchasers of its three principal exports – oil, bananas and shrimp.

"Throughout 1998 Ecuador's economy has been accumulating macroeconomic imbalances," said Luis Jacome, president of the central bank, after the measures were announced.

Ecuador's exports fell sharply in the first half of this year. Its budget deficit had grown to $1.4bn, or 7 per cent of its gross domestic product, the government said.

Some state employees have not been paid since July and the government has said it will be able to service only 10 per cent of its debt.

Thai political crisis eases as minister quits

By Ted Bardacke in Bangkok

Thailand's six-party coalition, led by Chuan Leekpai, the prime minister, received a political boost yesterday when Rakkiat Sukthana, health minister, resigned in the face of allegations of corruption in the purchase of medicine for government hospitals.

In past weeks, rural doctors have produced damning documents showing that they were ordered to buy hospital supplies from pre-selected companies at inflated prices.

Mr Chuan initially accepted the denials of wrongdoing by Mr Rakkiat, a deputy leader of the Social Action party, the coalition's third largest party. But after a wave of condemnation of the government and a petition campaign seeking to impeach Mr Rakkiat, Mr Chuan appointed an independent committee to investigate the charges; Mr Rakkiat resigned just days before that committee was to deliver its findings.

Analysts say Mr Chuan had to support his health minister in order to maintain good relations with Social Action, which commands a key bloc of parliamentarians and has built up a virtual fiefdom at the health ministry – holding the portfolio in four of the five governments since 1992.

With Mr Rakkiat's resignation, Mr Chuan said he would keep Social Action in the government and avoid a big cabinet reshuffle that could have raised political tensions and threatened Thailand's pursuit of economic reforms. "I don't want to prolong problems for the government," said Mr Rakkiat, who said he would now join the monkhood.

"I would like to express my grateful thanks to Mr Rakkiat, who resigned to lessen pressure on the coalition," said a senior cabinet minister, Supatra Madist.

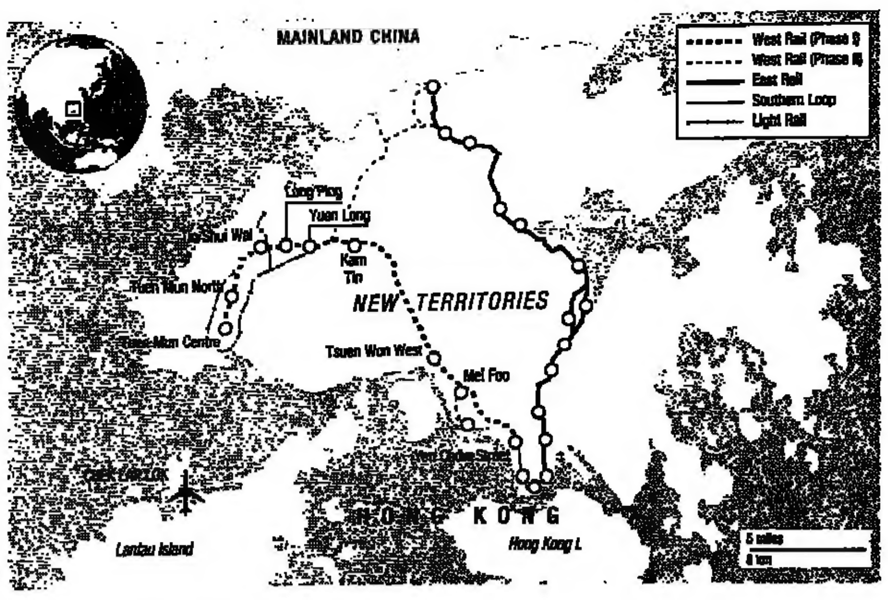
Nevertheless, analysts say Mr Chuan will still have to negotiate political turbulence in the near future. He faces demands that he sack the health ministry's top three bureaucrats and a deputy minister, also a member of Social Action.

His early inaction in the case provoked an outcry among Thailand's middle class who, struggling economically, are increasingly motivated by issues of "good governance" and corruption.

"There is a potential scandal at every ministry in Thailand," said a diplomat. "Each one takes its toll on government popularity."

In addition, a pending decision by the country's new independent election commission on expelling MPs from parliament who have defected from their opposition party to support Mr Chuan could reduce his government's already slim majority to just eight votes.

Some senior members of Mr Chuan's Democrat party favour calling a snap election should their majority in parliament be reduced to single digits.



Borrowing costs grow for HK railway project

By Louise Lucas in Hong Kong

Hong Kong's second biggest infrastructure project – the West Rail, which received the green light yesterday – may deliver a boon to the ailing economy, but funding is likely to carry a higher cost.

The HK$64bn (US$8.25bn) West Rail project, which links up the remote and mostly rural north-west New Territories with Kowloon and downtown Hong Kong, is being set up with an initial injection of HK$29bn from the government. The balance will be raised through the markets and with HK$10bn equity from the Kowloon-Canton Railway Corporation (KCRC).

The four-year delay that preceded yesterday's go-ahead from the government means that the numbers involved have changed since the plan was first floated. The credit crunch in Asia and the higher risk premium attached to the region mean borrowing costs are higher, even for blue chip names.

Property prices have virtually halved from the peak in June last year and developers are adopting a cautious approach. Sun Hung Kai Properties, for example, recently pulled out of the further development of a project on which it had been jointly working with KCRC.

Part of KCRC's HK$10bn equity payment will come from the development of sites alongside the railway stations. Yeung Kai-yin, chairman and chief executive of the corporation, brushed aside concerns of reduced income from these developments. He said calculations were made in early 1997 and thus were not dependent on prices at the peak of the market.

"I'm confident that in the coming one to two years, the Hong Kong economy and the general market, including property, will recover," he said. Other companies were negotiating to take over Sun Hung Kai Properties' place on the Royal Ascot project.

Nicholas Ng, transport secretary, said around HK$8bn would be spent taking over land for the railway: around three quarters of this is government land, and the rest is public, for which compensation will be made.

The new railway is expected to carry some 350,000 passengers a day in 2003, building up to 500,000 as the system develops. Work is expected to start shortly, with the 14 main civil construction contracts due to be awarded by the middle of next year.

While the final project is less ambitious than the original plans, which called for a HK$75bn budget, many are relieved it is now under way after years of haggling. "This has been a long and arduous process," Mr Ng said.

Polls at odds for Australia election

By Russell Baker in Sydney

Australia's opposition Labor party is either set to make one of the country's most remarkable electoral comebacks or be handed another savage beating by voters.

According to the latest Newspoll published in the Australian newspaper, Labor has built an election-winning lead over the ruling Liberal-National party coalition and Labor leader Kim Beazley has caught up with John Howard, the prime minister, as the country's preferred leader.

But the Newspoll results are completely contradicted by the latest Australasian Research Strategies poll conducted for the Bulletin magazine which suggests the coalition will romp home in the election on October 3.

The huge discrepancy between the two polls, which are both widely watched, is probably evidence of the large number of disillusioned or uninterested "swinging voters" in Australia who have yet to decide how to cast their votes.

The Newspoll claims Labor has increased its share of the primary vote to 44 per cent compared with 42 per cent for the coalition.

More importantly, on a two-party preferred basis Labor now has 53 per cent of the vote compared with 47 per cent for the coalition.

But the Bulletin poll has the coalition with 44 per cent of the primary vote and Labor 34 per cent. After distributing preferences the result is 47 per cent coalition and 42 per cent Labor.

What both polls agree on is that the two main parties are grabbing back votes from Pauline Hanson's One Nation party and other minority parties. According to the Newspoll, One Nation's primary vote has dropped to 7 per cent compared with 11 per cent in early August.

Mr Beazley yesterday said that even if there was growing support for Labor, it would not necessarily translate into his party winning seats.

NEWS DIGEST

BROADCAST OF HYMNS TO LEADER

Japan presses UN over N Korea satellite launch

Japan yesterday pressed the United Nations Security Council to react to North Korea's launch of a satellite-carrying rocket which violated Japanese airspace. The Council's working draft marked a retreat from a proposed condemnation after the US – and Japan – reversed their initial conclusion that the August 31 launch was a missile.

Although Pyongyang made no announcement before the launch, it has insisted since then that it successfully launched a satellite, which was broadcasting hymns in honour of its leader, Kim Jong Il, and his father, Kim Il Sung, who died four years ago.

The Council's draft statement expressed "grave concern over the hazardous activity of the Democratic People's Republic of Korea involving the launching of an object propelled by rockets," said a press statement draft. James Rubin, US State Department spokesman, said on Monday: "We have concluded North Korea did attempt to orbit a very small satellite. We also have concluded the satellite failed to achieve orbit."

Laura Silber, United Nations, New York

CAMBODIAN POLITICS

Violence halts for talks

Cambodia's capital, Phnom Penh, enjoyed its first day of relative calm yesterday after more than a week of bloody street battles. Opposition protesters largely heeded calls from Prince Norodom Ranariddh to end their demonstrations before a crucial meeting with his father, King Norodom Sihanouk, today in the northern city of Siem Riep.

The two will discuss a recent agreement between rival political parties to end the deadlock which has gripped the country since a disputed general election in July. Hun Sen, who ousted Prince Ranariddh in a coup last year and who precipitated the past week of violent demonstrations by breaking up a peaceful sit-in, won the election but did not get enough seats in parliament to form a government.

The recent deal, negotiated in part by Thailand's deputy foreign minister, calls for direct talks between leaders of the three main parties, including leading dissident Sam Rainsy, who has taken refuge in UN offices after Mr Hun Sen threatened him with arrest. **Ted Bardacke, Bangkok**

SHENZHEN TRADING HOUSE

Clients besiege brokerage

Clients of one of the largest futures brokerages in Shenzhen, south China, staged an angry protest yesterday after discovering the trading house had been shut and was unable to return their investments. Clients of Shenzhen Champion Futures shouted abuse at local securities officials inspecting the firm's accounts.

Investors said they had tried to withdraw funds after reading in weekend newspapers that Champion was among 12 trading houses whose licences had been revoked for trading irregularities.

An official of the local securities regulatory office confirmed that Champion had been barred from trading for using customer margin funds for its own purposes. He estimated that about 100 clients, with margin funds totalling more than RMB40m ($4.8m) would not get their money back. China has recently launched a drive to clean up its financial system. **Reuters, Shenzhen**

Estrada presidency embarks amid hail of criticism

Tony Tassell reports on problems faced by the new Philippines administration

Philippines: the Estrada factor

Source: Datastream/ICV

Joseph Estrada, president

As a former movie star, Joseph Estrada, the new Philippines president, must have been used to the odd bad review.

However, few would have been as harsh as the pummelling his fledgling 11-week-old administration has received amid allegations of a revival of cronyism and concern over a lack of coherence in economic policy.

Such a shaky start to the Estrada presidency has been ill-timed at best. Not only has it coincided with a sharp slowdown in the Philippines economy but it also raised the risk profile of the country in a time of growing risk-aversion in the international economic environment.

Until recently, the Philippines had been seen as one of the relatively brighter spots in the Asian economic maelstrom of the past year or more, but a severe drought combined with the lagged impact of the regional crisis is now putting the country at risk of joining many its neighbours in recession.

Official government estimates say gross national product growth will slow to 1.5 per cent in 1998 but many economists forecast that the economy will shrink by as much as 2 per cent. This is still a credible performance compared with some other Asian countries but analysts say the political and economic risks are rising.

"The idea that the Philippines is different from the other distressed [south-east Asian] economies has proved dangerous and led to complacency," said Neil Saker, economist with SG Securities. "We see this as now ebbing away fast, further compounding the pain."

Already partly reflecting the increased risks, the benchmark stockmarket indicator, the PSE index, has sunk 51 per cent from election eve on May 11 to hit a new seven-year low while the peso has dropped from 39.61 against the dollar to 43.70 over the same time.

Analysts say a key determinant in how far the economy slows down will be the Estrada factor.

In Manila's main business district Makati confidence is low amid widespread disdain of the Estrada administration. One foreign broker kept a list of issues surrounding the government that sent a negative signal to investors but then gave up when it rose to more than 28 items in about six weeks.

Indeed, for such a short period in office, the Estrada government has stumbled into more than its fair share of controversies.

They have included a highly personal battle for control of the country's flagship industrial estate at Subic Bay, proposals to refurbish the presidential yacht, a reversal on an earlier plan to bury the former leader Ferdinand Marcos in the National Heroes cemetery and a shortening of the mandate for a long-standing commission set up to investigate ill-gotten wealth under the Marcos regime.

The chief issue is to do with allegations of a revival of former Marcos cronies as a force in the Philippines. This has gained ground with a few controversial appointments to sensitive posts and Mr Estrada's close connections with some of the Philippines business elite, notably Danding Cojuangco.

Mr Cojuangco, a member of one of the country's most prominent business families, is chairman of Mr Estrada's political party and was a close associate of Marcos, fleeing the country when his regime fell. He now appears to be making a remarkable comeback on the local corporate stage, regaining the chairmanship of San Miguel, the food and beverage conglomerate.

Some argue that the cronyism issue has been exaggerated. Matthew Sutherland, of brokers Paribas Asia Equity, says those who claim there is a return of the Marcos cronies are massively overstating the case. For one thing, he points out, Mr Cojuangco regained his voting rights to his stake in San Miguel under former President Fidel Ramos.

"Even if the individuals are broadly the same, the system is massively different now," he says. "There is no way we can go back to the fully-fledged Marcos cronyism now because the people won't have it and the people have a very strong voice..."

Cronyism aside, the administration still faces criticism for a lack of coherence in economy policy. While at least part of this due to teething problems of inexperience in power, some observers also point to the differing ideologies in the Estrada inner-circle between pro-business and more left-leaning officials.

"We are still learning, still settling down into office though I think we are still ahead of what Ramos was at this point in his government," a government official said.

Pakistan clamps down on trade invoice malpractice

By Farhan Bokhari in Islamabad

Pakistan said yesterday it would crack down on misleading export income declarations in an attempt to halt a reported slide in its export revenues.

Ishaq Dar, the commerce minister, said that a sharp fall in the value of its exports last month, down 12 per cent compared with August last year, was partly the result of under-invoicing by exporters.

He said export income of $606m was in part the result of exporters remitting only part of their income to the country. Other officials said that some importers over-invoiced their orders, declaring a higher value than the actual worth of their imports, to get foreign exchange at the official rupee conversion rate.

"There was an element of under- and over-invoicing but I can't say by how much," said Mr Dar, promising that there would be a closer monitoring of future transactions.

He also defended a campaign against private money-changers, accused by the government of causing a big fall in the open market value of the Pakistani rupee through speculative trading. At least 25 private money-changers have been arrested this week for allegedly running their businesses without a central bank licence.

"Enforcement [of law] was essential because a psychological war had begun," said Mr Dar, referring to the recent rupee fall when the gap between the official and free market rate widened to 30 per cent from the usual 8 to 10 per cent.

Bankers say the fall was triggered by growing concerns over Pakistan's balance of payments position following US-led western economic sanctions after its nuclear tests on May 28.

Some bankers say that despite the rupee strengthening slightly this week, it could still be devalued by 10 to 15 per cent as part of an International Monetary Fund agreement that Pakistan is negotiating.

Mr Dar said Pakistan might be only weeks from deciding if it will formally approach the Paris and London clubs for a restructuring of part of its official foreign debt. A decision would be made once negotiations with the IMF concluded by the end of this month. "Once the IMF discussions are through, the Paris and the London club may follow."

What does it take to be a leader in capital raising today?

A passport.

Achieving capital raising success today demands partnering with a financial institution that can deliver creative solutions anywhere around the world. Backed by our significant resources and global network, BankAmerica offers clients a comprehensive array of products and advisory services to meet their needs. Our expertise is evidenced by the over $330 billion in capital raised for our clients in the first half of 1998, resulting in these distinctions:

- Loan Syndications - $242 billion:
  #2 arranger/co-arranger by volume and number of deals globally[1]
- Private Placements - $4.5 billion:
  #1 in straight corporate debt private placements[2]
- Leveraged Finance - $46 billion:
  #4 agent/co-agent by volume[3]
- Capital Markets:
  #1 derivatives bank[4]
  #1 Foreign Exchange bank in top-tier U.S. corporate relationships[5]
- Real Estate:
  #3 in number of real estate syndications[6]
- Leasing:
  Nearly $20 billion in total original equipment costs[7]

Looking forward, our pending merger with NationsBank will enable us to accomplish even more for our clients.[8]

Asset Backed Securities • Asset Securitization • Commercial Paper • Emerging Markets Sales & Trading • Financial Risk Management • Foreign Exchange • High Yield Debt • International Capital Raising • Investment Grade Debt • Leasing • Leveraged Finance • Loan Syndications • Mergers & Acquisitions • Municipal Securities • Private Placements • Project Finance • Real Estate • Structured Trade Finance

BankAmerica

www.bankamerica.com

[1] Gold Sheets-Global League Tables. [2] Securities Data Company, excluding funds/trusts. [3] Loan Pricing Corporation. [4] Treasury & Risk Management, 1997. [5] According to an independent research study. [6] 1997 agent only; source: Loan Pricing Corporation. [7] Equipment owned and managed for other investors through year end 1997. [8] Consummation of the merger of BankAmerica Corporation and NationsBank Corporation is subject to shareholder approval and the satisfaction of other conditions. The merger is expected to occur by October 1998. © 1998 BankAmerica Corporation

SULTANATE OF BRUNEI JUDGMENT CRITICAL OF 'CHINESE WALLS' MAY BE THREAT TO GLOBAL ACCOUNTANTS

Prince wins KPMG court fight

By Jim Kelly, Accountancy Correspondent

Prince Jefri of Brunei, the disaffected younger brother of the Sultan, yesterday won his battle to stop his former personal accountants KPMG working for the Brunei Investment Agency in its investigation of the sultanate's troubled finances.

The High Court in London granted an injunction stopping the UK firm of KPMG from taking any more part in "Project Gemma" – a wide-ranging investigation of transactions which Prince Jefri said is targeted at him.

"A former client should not be exposed to the risk of inadvertent, careless or negligent disclosure unless there are powerful reasons for saying he should. I cannot detect any such reasons in this case," said the judge.

The decision – which will go to the Court of Appeal – threatens a significant blow to the Sultan's inquiries and there were indications that other professional firms could face legal action.

"This whole thing is a spider's web," said another of the UK's Big Five accountancy firms.

The decision also poses a threat to global firms as the judgment was critical of the effectiveness of so-called "Chinese walls" in protecting client confidentiality against inadvertent or negligent leaks of information.

The judge reviewed KPMG's attempt to set up Chinese walls in the case and said the firm had done everything that could be expected. But he said such barriers in general were "not well adapted to deal with accidental, inadvertent or negligent" disclosure.

The judgment also said that accountants – when acting in a forensic role – had similar wide-ranging duties to solicitors (lawyers with limited rights of advocacy) and that these should be taken into account when potential conflicts of interest and duties arose.

KPMG said the judgment raised "important points of principle of great concern to it and the profession". The firm's track record in providing a wide range of services to top clients showed Chinese walls worked, it said.

"The maintainance of confidentiality is a fundamental ethos of a major multi-service firm," said the firm.

The Big Five firms have faced criticism that consolidation in the sector has reduced choice and undermined independence as accountants offer more and more services to clients and begin to take on work traditionally done by lawyers.

If the decision is upheld, it could limit the ability of Big Five firms to expand their lucrative forensic accounting practices. Others inside the firms fear it could lead to wider restrictions on the kind of work they can do.

"The big problem is that I don't think the judge realises that forensic accounting is sometimes very close to what goes on in a modern audit," said one leading accountant with a Big Five firm.

One legal expert tracking the case said: "There could be great principles involved for professional firms – unless it fizzles out in an argument over the facts on appeal. It is about self-policing and whether it works and it goes to the heart of the profession."

Central bank rebuffs rates demand

Financial Times Reporters in Blackpool and London

Eddie George, governor of the Bank of England, yesterday told trade unionists that the Bank was ready to cut interest rates if inflation looked likely to fall below the government's target.

"I give you my assurance that we will be just as rigorous in cutting interest rates if the overall evidence begins to point to our undershooting the target," Mr George said at the annual conference of the Trades Union Congress in the north-west England resort of Blackpool. "There is now evidence that domestic demand growth is moderating and that the labour market is tightening more slowly than before."

But his speech to union leaders, the first time a governer of the UK central bank has addressed the TUC, disappointed delegates, who responded by stepping up calls for an immediate easing in monetary policy. Many complained that the high level of interest rates and the strong pound was hurting exporters and threatening jobs.

Mr George added that permanently low inflation was essential for economic growth and employment. He played down the risk that international economic turmoil could result in inflation falling below target.

In the lions' den: Eddie George, governor of the Bank of England, on the platform at the Trades Union Congress — Press Association

The Amalgamated Engineering and Electrical Union said interest rates should be cut to relieve pressure on manufacturers. Roger Lyons, general secretary of the Manufacturing Science and Finance Union, said: "This is not a good advert for economics in practice. Demand is less, pressure on the labour market is less and interest rates need reducing."

Mr George's speech coincided with figures showing that inflation has fallen back to the government's target for the first time since January. Underlying inflation, which excludes mortgage interest payments, fell from 2.6 per cent to 2.5 per cent in August. The Office for National Statistics said price rises for both goods and services were slowing. The retail prices index increased by 0.4 per cent to 163.7.

Inflation has been subdued by the strong pound, which has reduced prices for imported goods. But inflation in the sheltered domestic service sector remains relatively strong. The main reason for last month's decline was that the second part of last year's budget increase in petrol prices fell out of the annual comparison. The headline inflation rate fell from 3.5 per cent to 3.3 per cent.

Increases in mortgage interest payments also dropped out. A sharp jump in seasonal food prices was offset by a slowdown in household goods and leisure services.

● A third of UK exporters will struggle to survive even if sterling falls to levels that analysts think are fair value, an unpublished survey claims, **Richard Adams** writes. Eurostrategy Consultants report more than a third of exporting manufacturers say they need sterling to fall below DM2.70 to allow their company "to compete on equal terms in the rest of Europe.

Deadlock over price of Viagra in health service

By Nicholas Timmins and Clive Cookson

The UK government appeared locked in a dispute with Pfizer yesterday over the price of its anti-impotence drug Viagra, which was awarded its European licence yesterday.

Frank Dobson, the chief health minister, said the price of £4.84 ($8) a tablet would have to come down. That was even though Pfizer claimed that the state health service had agreed the pricing "in principle" on Monday. Ken Moran, Pfizer's chairman, said the company would not lower the price.

The drug could cost the health service between £50m and £150m a year, Mr Dobson said. "That money isn't there, so therefore we have to take the money away from maternity services for women having babies or people who are being treated for cancer or people who are being treated for heart disease," he said.

But Mr Moran said Pfizer would not lower the price even if the government threatened to refuse to allow Viagra to be prescribed on the state service.

Pricing had to be broadly the same everywhere to avoid profiteering and parallel imports. "The price in the UK and other European countries is pretty much the same," he said.

Mr Moran said that the government's temporary ban on the drug meant patients in the UK were in an "iniquitous" position where only those who could afford to pay would have access to it.

Roger Kirby, secretary of the British Association of Urological Surgeons, said there was "no logic to the position where I have to tell patients that I am not allowed to prescribe a £5 pill, but I can give a £10 injection or a £2,500 implant". Viagra, he said, was likely to replace current impotence treatments in 80 per cent of cases, doubling the numbers treated for the same cost.

Most pharmacists were last night still deciding their pricing on private prescription. The Boots chain plans to sell it at just under £7 a tablet and Moss at £6.

The Association of the British Pharmaceutical Industry attacked the government for the ban as it released three studies arguing that treatments once attacked as being too expensive for the NHS had proved "highly effective investments".

Alpha-interferon for hepatitis C, EPO for kidney failure and anti-HIV combinations for Aids had all proved their worth, saving time in hospital and other expensive treatments. Peter Read, head of the ABPI's cost-effectiveness task force, said the studies "expose as a fallacy the claim of some doom-merchants that the NHS cannot afford new treatments". The benefits and cost savings did not become clear until the drugs had been in use for some time.

Dr Read, UK chairman of Hoechst Marion Roussel, said one of Viagra's benefits might be to reduce the incidence of depression in men suffering from erectile dysfunction and therefore cut the amount of antidepressants prescribed.

See Editorial Comment

NEWS DIGEST

GAS PIPELINE OPERATION

Regulator to investigate claims of capacity abuses

Complaints that gasfield operators have gained millions of pounds by exploiting pipeline capacity constraints are to be investigated by the industry regulator. Customers say gas prices have been forced higher as a result of abuses at the St Fergus terminal in Scotland where daily gas flows have been restricted because of maintenance and expansion work, expected to finish next month.

October gas prices of about 12.5p a therm on the International Petroleum Exchange are about 1½p higher than at the same stage last year even through world energy prices have fallen,says the Energy Intensive Users Group. Transco, the national gas pipeline operator, says the cost of St Fergus capacity constraints is running at up to £500,000 ($825,000) a day. Maintenance and construction work is required partly to meet the demands of the new Britannia field which started operations last month.

Transco this week proposed a series of changes to capacity constraint pricing rules in an effort to stem the alleged abuses. Any modifications would have to be approved by Ofgas, the industry regulator which said yesterday that it would investigate the complaints. Shippers have been able to buy back the excess gas from Transco at a concessionary price of 7p a therm before selling it on at 14p a therm to cover shortages elsewhere in the network, says the Energy Intensive Users Group. **Andrew Taylor, London**

CINEMA MULTIPLEXES

Operator plans 150 screens

Hoyts, one of the world's largest cinema operators, is stepping up efforts to expand in the UK, where it plans to open 150 new screens over the next four years. The first Hoyts multiplex in the UK is now under construction at the Bluewater leisure complex to the east of London. Hoyts, which is Australian-owned, plans to spend about £75m ($123.75m) on building as many as 15 UK multiplexes.

Other cinema chains are also accelerating their investment. Warner Village, a joint venture between Time Warner and Village Roadshow, the US and Australian media groups, will open two multiplexes soon as a precursor to opening another 28 across the UK by 2001. Since the first *UK US-style multiplex opened in 1985, cinema attendance* has more than doubled. **Alice Rawsthorn, London**

INTERNATIONAL CRIME

Call for coherent strategy

Governments risk losing the battle against organised crime unless they develop a coherent international strategy based on radical legal reform.

David Bickford, a former legal adviser to the UK intelligence and security services, said yesterday at a conference on combating international crime that there was "little harmonization of law and procedures" and "too few mutual legal assistance treaties" to combat the cross-border nature of organised crime.

"There are far too many states that have failed to understand the need for radical legal reform both nationally and internationally to effectively fight organised crime," he added. **Jimmy Burns, Cambridge**

ENVIRONMENTAL HEALTH

White asbestos ban next year

The government will announce later this week a ban on the use and import of white asbestos from next year. The Health and Safety Commission is publishing a consultative document setting out a timetable for the regulations. It will bring the UK into line with most other European Union countries which have already introduced laws to ban its use.

Tomorrow the European Commission's scientific committee is expected to report that white asbestos is more harmful than available substitutes. It was asked to investigate after pressure from the Canadian government over the issue.

White asbestos is the last form of asbestos to be banned. Both blue and brown asbestos have been progressively restricted since 1970 and are now banned under EU law. **Robert Taylor, Blackpool**

PERJURY CHARGE

Former minister in court

Jonathan Aitken, a former Conservative cabinet minister, appeared at a magistrates court in London yesterday, charged with perjury and conspiring to pervert the course of justice during his failed libel action against the Guardian newspaper and Granada Television. The charges relate to the account Mr Aitken gave to the High Court of the movements of his wife Lolicia and daughter Victoria while he stayed at the Paris Ritz in September 1993 and his claim that Mrs Aitken paid his hotel bill.

It is alleged that Mr Aitken and Said Mohammed Ayas, a former business associate, along with Lolicia Aitken, conspired to pervert the course of justice by knowingly submitted false witness statements about the movements of the two women.

Although Mr Aitken's wife Lolicia is mentioned on the indictment, she has not been charged with any offence. Mr Aitken faces a total of four charges and Mr Ayas two. Neither has yet been required to plead. **John Mason, London**

Third of institutions 'not ready for euro'

By Jane Martinson, Investment Correspondent

A third of institutional investors in the UK have failed to prepare for the introduction of the European single currency, according to a survey of fund managers with total assets of £450bn ($743bn) to be published tomorrow.

The survey by the National Association of Pension Funds is to be published at the same time as the UK government is exhorting businesses, in a series of television advertisements, to prepare for the introduction of the euro in January.

About 33 per cent of fund managers questioned had failed to change computer systems, train existing staff or appoint new staff to deal with the introduction of the euro. About 73 per cent said they recognised the need to take such action.

This lack of preparedness has worried the NAPF, which is to launch an awareness campaign at its biannual international conference tomorrow. "At this late stage we would have expected every single person running every single investment machine to be prepared," said Ann Robinson, the association's director-general.

Ms Robinson believes that uncertainty about the UK's position may have led some fund managers to ignore the issue: "One of the reasons [fund managers] are not fully prepared is that it is so risky and so unknown," she said. "It's a mental thing – some people think it won't actually happen."

The survey also shows that the link between the London and Frankfurt stock exchanges came as a surprise to a large proportion of the City of London. Only 39 per cent of those questioned in July believed that the London exchange would merge with a counterpart outside the UK.

GOVERNMENT REGULATION PREMIER URGES REVIEW OF CONSUMER PROTECTION RULES

Blair acts to curb state controls

By David Wighton, Political Correspondent

Tony Blair, the prime minister, is backing calls for a review of the government's approach to consumer protection regulation as part of his efforts to curb the "nanny state," or excessive state controls over individual citizens.

Following the government's ban on selling beef on the bone in the "mad cow" crisis, Mr Blair is concerned that government departments are too quick to introduce regulations to safeguard consumers from very remote risks.

Mr Blair believes such regulation restricts choice, undermines personal responsibility and increases costs, particularly for small businesses. Ministries will be pressed to allow consumers to take more decisions themselves as long as they are fully aware of the risks.

Supporters of the review hope that it will lead to a change in government departments' attitude to regulation in areas from food to financial ser-ices. The case for a review will be made in the first annual report from the government's better regulation task force which is published today.

The task force, headed by *Lord Haskins, the Labour* peer and chairman of Northern Foods, will urge an overhaul of the way government assesses risk and calculates the value of actions to reduce it. For example, government departments currently ascribe different monetary values to saving a human life. These figures are used in calculations such as assessing whether further investment in rail safety is an appropriate use of national resources.

The report will also examine the role of self-regulation in the professions and consider whether the concept of a "fit person" in fields such as financial services introduces an unnecessary barrier to entry.

The task force cites the BSE or "mad cow" saga as an example of mistakes in risk assessment by government – in the first place by having too little regulation, then too much. There has been concern that the BSE experience will encourage government departments to overreact to new health threats, as in the case of beef on the bone.

Ironically, following the government reshuffle in July, Jack Cunningham, the minister who implemented the beef-on-the-bone ban, is now responsible for the better regulation task force.

In its first year, it has produced a number of reports urging reform of government regulation and warning against new bureaucracy.

$1.3bn boost for poorest areas

Tony Blair, the prime minister, yesterday launched a shake-up of the way government works in an attempt to improve Britain's poorest housing estates and neighbourhoods after making a frank admission that over the past 30 years policies imposed from above had not worked, **Nicholas Timmins writes.** Mr Blair described it as a "10 to 20-year plan" to break down barriers between local and national action. Eighteen teams of ministers covering 10 ministries are to co-operate in a three-year programme costing £800m ($1.3bn). John Prescott, deputy prime minister, said the approach will involve "quite a radical change for government in how it does its finances."

Research and the means of funding it loom large in executive's working life

Chairman of leading scientific instrument maker is upbeat about nation's R & D performance, says **Hugh Aldersey-Williams**

Few people are better placed to comment on the relationship between fundamental research and wealth creation than Sir Peter Williams, executive chairman of Oxford Instruments, a manufacturer of scientific instrumentation. Sir Peter is also chairman of the Particle Physics and Astronomy Research Council, a government body responsible for funding research.

The UK government's latest R & D Scoreboard, published in June, showed that although UK research and development spending had increased, rival countries had increased their lead.

But Sir Peter is sanguine. "I don't think the linkages between basic research and innovation industry are particularly worse in this country," he says. "But we tend to have more *angst* about it.

Perhaps it's a healthy paranoia, but at times we overdo it."

Sir Peter is happy to let the scientists get on with the job. He believes that progress in research cannot be tracked in the same way as aspects of industrial production.

"The benchmarks for fundamental research are more intangible, to do with excellence in the international peer group, dissemination of knowledge and, increasingly, the need to make the public aware," he says.

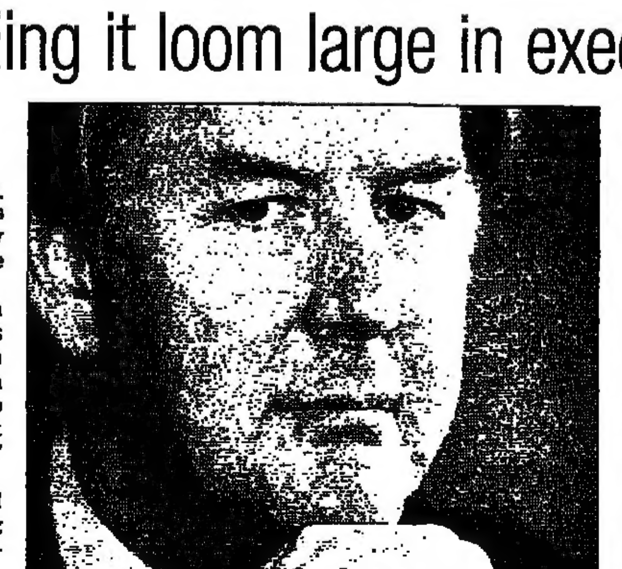
Instrumentation has always enjoyed a symbiotic relationship with the sciences it measures.

In some cases, scientists have demanded a device that they feel will enable them to make a discovery. In others, a piece of equipment has opened an avenue of inquiry that might otherwise have been ignored.

At Oxford Instruments, a new device regularly begins with the requirements for an experiment. "We will often take a risky contract to develop a piece of equipment for a particular scientist," says Sir Peter.

"If we can crack it, we will make money on developing it and selling it downstream."

Sometimes it works the other way round. This year, the company will ship the Helios II, a compact synchrotron, to the National University of Singapore. The university has bought the apparatus to perform semiconductor lithography.


Sir Peter: happy to let scientists get on with the job — Brendan Corr

Oxford Instruments' scientists saw that the same techniques used to etch silicon could be employed to make components for microelectronic mechanical systems, or MEMS, nanotechnology devices that combine electronics with moving parts that have potential uses from sensor arrays to human implants. The company volunteered to send its own researchers to use the synchrotron for this under-exploited application. The university liked the idea. "They gave us a research grant to work on the machine we sold them," says Sir Peter.

Oxford Instruments has grown by feeding off and feeding into fundamental research. It has become a leading supplier of superconducting magnets for magnetic resonance imaging (MRI) scanners and research, along with other equipment for analysis and accelerator and semi-conductor technology. With nearly 90 per cent of sales outside the UK, it has suffered recently from weakness in overseas markets and the strong pound. The share price has tumbled from nearly 500 pence to 234 pence in London in less than two years.

The difficult trading conditions were found to be affecting the company's approach to innovation. "We estimated that we were becoming more risk-averse. As a by-product of the necessary tightening, we were trying to play safe, looking at what would generate a boost in earnings per share next year," says Sir Peter.

At the company's annual meeting in July, Sir Peter described steps taken to reverse this trend.

"We put up for grabs a proportion of our R & D budget for additional bids from our business units. We've teased out 15 or 16 draft projects. The profile required was that it would make a material difference to the business."

Not all the projects can be funded, and not all those chosen will succeed. For such a strategy to work, some failure must be accepted. This means stopping a programme as soon as it is clear it is going nowhere.

صكنا من الاجل

What does it take to be a leader in capital raising today?

A toolbox.

The right tools are essential to succeed in capital raising today: a combination of industry specialization and a full range of financial capabilities together with extensive capital resources. With these tools, we completed more than $330 billion in transactions to help our clients meet their growth objectives in the first half of 1998. Here are some of the results:

- Equity:
  #1 in Consumer equity underwriting†
  #2 in IPOs and venture backed IPOs‡
  #2 in Financial Services IPOs†
- Syndicated Floating Rate Debt:
  #1 in number of transactions overall§
  #1 in number of deals for the health care industry¤
- Real Estate:
  #1 in number of syndicated loans for REITsΔ
- Private Placements:
  #4 in debt private placementsß
- High Yield Debt:
  Raised more than $19 billion through 90 transactions
- Mergers & Acquisitions:
  Advised on transactions valued at $34.2 billion

Soon, our pending merger with BankAmerica will enable us to accomplish even more for our clients.††

Research, Trading and Issuance in Equity, High Yield Debt, Emerging Markets and High-Grade • Asset Backed Securities • Global Treasury & Trade* • Leveraged Finance • Liability Management • Loan Syndications • Mergers & Acquisitions • Principal Investing • Private Placements • Project Finance • Real Estate • Risk Management • Senior Bank Debt* • Structured Finance

NationsBanc Montgomery Securities

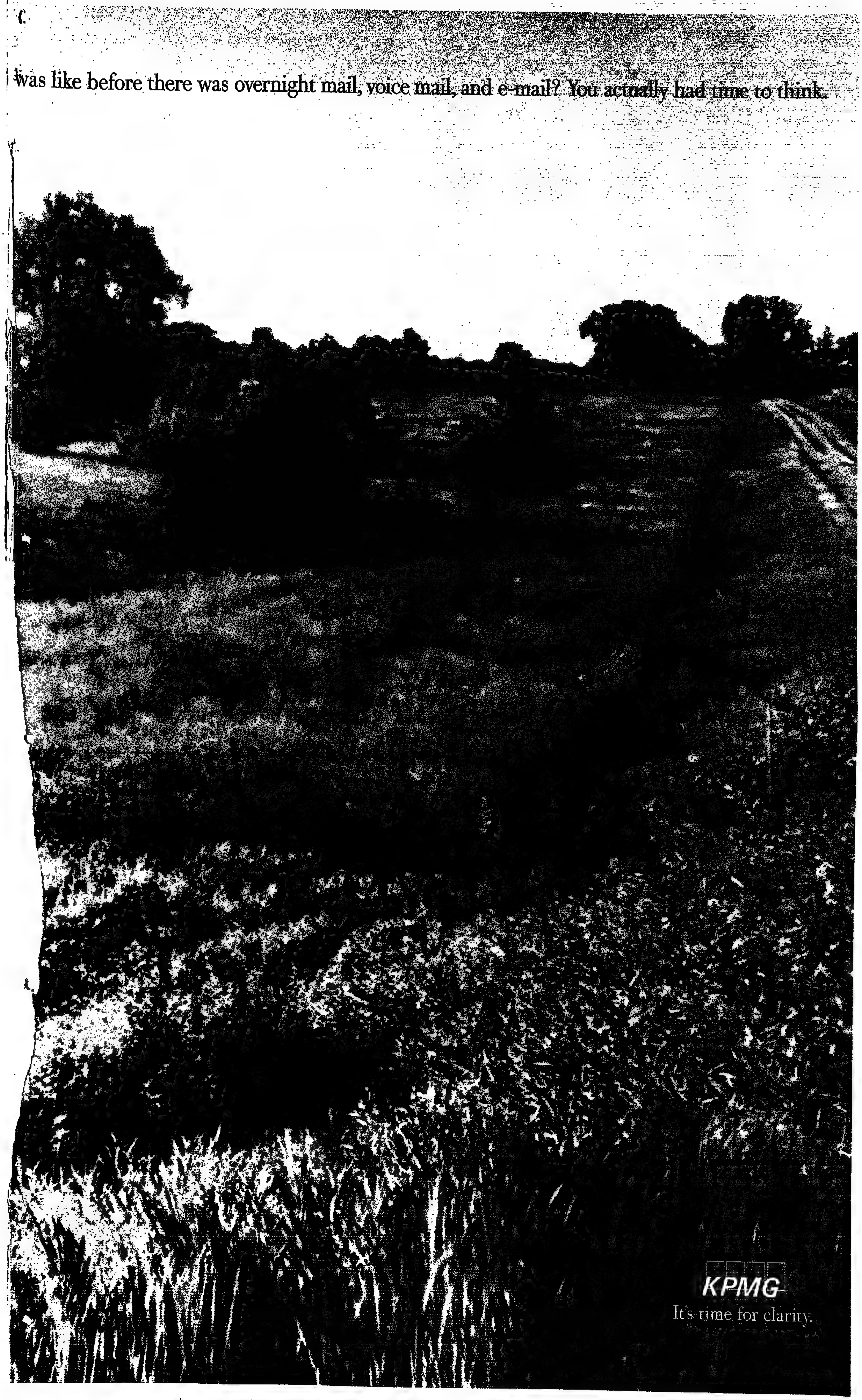
www.nationsbancmontgomery.com

NationsBank®

† Based on the number of offerings completed 1/1/98 through 6/30/98 in a NationsBanc Montgomery-defined SIC code universe, full credit to each manager, excludes closed-end funds, ADRs, rights offerings, overallotments and international tranches. Source: Securities Data Company. ‡ Based on the number of offerings completed 1/1/98 through 6/30/98, full credit to each manager, excludes closed-end funds, ADRs, rights offerings, overallotments and international tranches. Source: Securities Data Company. § Based on credit to agent/co-agent by number of deals. Source: Loan Pricing Corporation–Gold Sheets, 7/13/98. ¤ Based on full credit to agent only by number of deals. Source: Loan Pricing Corporation–Gold Sheets, 8/17/98. Δ Transactions completed 1/1/98 through 6/30/98, full credit to agent only. Source: Loan Pricing Corporation-Gold Sheets, 8/17/98. ß Based on dollar volume of transactions, 1/1/98 through 6/30/98. Source: Securities Data Company. * Provided through other affiliates of NationsBank Corporation.

†† Consummation of the merger of BankAmerica Corporation and NationsBank Corporation is subject to shareholder approval and the satisfaction of other conditions. The merger is expected to occur by October 1998. NationsBanc Montgomery Securities, member NYSE/SIPC, is a subsidiary of NationsBank Corporation. NationsBank is the marketing name for NationsBank Corporation and its affiliates worldwide. ©1998 NationsBank Corporation


Remember what
there was
www.kpmg.com


was like before there was overnight mail, voice mail, and e-mail? You actually had time to think.
KPMG
It's time for clarity.

CORPORATE NETWORKS NT VERSUS UNIX

A wary dance with strangers

Roger Taylor and **Louise Kehoe** examine the gradual acceptance of Windows NT

An uneasy truce has settled in the battle between Microsoft, which wants to make Windows NT the operating system of choice on corporate IT networks, and the large hardware vendors that sell the computers used by big corporations. Many of these run on a variant of the Unix operating system.

As businesses' IT systems become properly networked, with desktop, departmental server and corporate mainframes linked into a seamless system, interoperability has become the key, bridging the gap between Unix-based systems and Windows desktops.

Furthermore, hardware vendors that were once suspicious of NT because of its alleged unreliability and lack of the scalability needed by very large organisations, are moving to adopt the Microsoft system.

The extent of the acceptance among hardware vendors of NT was underlined by two announcements yesterday. International Business Machines unveiled a range of significantly upgraded NT-based Netfinity servers. This marks the completion of a turnround in IBM's approach to NT. Initially sceptical of NT's capabilities and worried that it could compete with other IBM proprietary systems, the company was slow into the market.

Last April, Lou Gerstner, IBM's chairman and chief executive, acknowledged the error. "We missed this one so badly ... [but] we're on the case now," he said. The new Netfinity server is designed to deliver that.

A Unix-based system offering the ease of use of Windows could be a winning combination

Also yesterday, Hewlett-Packard, which uses Unix on its most powerful computers, announced a move towards NT. The company said it had used its experience in building reliable Unix servers to develop an NT server with 99.9 per cent uptime.

The move to offer bigger and better NT servers has been driven by Microsoft, which aims to expand its role on the desktop into the corporate data centre.

However, there is a limit to how far this is possible with the current version of NT. Critical corporate applications still demand the robustness of Unix.

Tony Iams, senior analyst at D.H. Brown Associates, the New York-based industry analysts, says: "People are realising that for the foreseeable future Unix and NT will co-exist."

The answer is to increase the interoperability of the two systems – not least by reducing the high cost of trying to make incompatible systems work together. Manufacturers are increasingly doing this.

But although computer builders may embrace each others' systems in the knowledge that the customer demands interoperability, they sometimes have very different ideas of the endgame.

Last week, Compaq and Microsoft announced moves to develop greater interoperability between the Unix system that Compaq has inherited with the takeover of Digital Equipment and its own NT servers. Eckhard Pfeiffer, chief executive of Compaq, sees this as a long-term strategy to help customers using Unix systems migrate to NT as future upgrades – most importantly NT5.0, due in 1999 – provide greater reliability.

He acknowledges Unix is the best operating system for many customers today, but argues that Compaq, through its co-operation with Microsoft, will provide the easiest route for customers to migrate to a wholly NT-based system as the Microsoft operating system becomes "industry hardened". But he acknowledges that this trend could take 10 years.

A very different approach was unveiled by Sun Microsystems, also last week. Sun, the last leading hardware vendor to cling exclusively to Unix, said it was going to adapt many of its products to work better with NT. Sun's technology will allow Unix servers to plug into NT networks.

Sun's solution is to make Unix systems work more like Windows from the user's perspective, but to retain the reliability and scalability of its Solaris Unix system. Like Compaq, Sun sees interoperability as a competitive advantage. A Unix-based system offering the ease of use of Windows could be a winning combination.

However, unsurprisingly, Microsoft is not backing this suggestion. Sun is relying on a deal with AT&T which has licensed the source code to Microsoft's operating system. This deal, however, comes to an end with the release of NT5.

Masood Jabbar, president of Sun Computer Systems, argues that Sun has an opportunity to push its Windows-on-Unix system before NT5 is launched. Yet analysts argue that this system, at best, is likely to help the company defend its market from further encroachment by NT.

However, the truce between Unix and NT may not last for long. Hewlett-Packard has already accepted that Unix and NT will co-exist. But IBM's old aversions to Windows could easily be reawakened if the industry leader sees NT invading not only the Unix server market but also its heartland in mainframes.

INFORMATION TECHNOLOGY BRIEFS

Adding a lower price tag to flash memory

Many handheld electronic devices such as digital cameras use flash memory for data storage. But flash memory semiconductor technology has one drawback – a high price tag.

A number of companies, including Iomega and International Business Machines, have developed alternatives based on traditional hard disk technology that they claim can provide much higher storage capacity at a fraction of the cost per megabyte.

Iomega, which built its business around the highly successful Zip drive, promises its Clik product will provide 40mb of storage for less than $10, while IBM says its Microdrive is the world's smallest and lightest hard disk drive with a disk platter about the size of a large coin.

IBM's new 170mb and 340mb drives weigh just 20 grams, and like Iomega's Clik, are designed for use in a wide range of portable electronic devices including still and video digital cameras, handheld computers, and intelligent phones.

"We are seeing tremendous market interest for the high-capacity and low cost per megabyte microdrive," said Bill Healy, general manager of IBM mobile storage products.
Iomega: www.iomega.com
IBM: www.ibm.com

Real-time phone bills posted

Delta Three, the Israel-based internet telephony company, has launched an online interactive centre that is claimed to be the first to provide real-time billing information, *writes Avi Machlis in Jerusalem.*

Minutes after a call is placed through Delta Three, billing details are posted on to a secure part of Delta Three's web and are accessible to account-holding users, who can view the data to suit their needs. For example, users can transform their calling information into a pie-chart that breaks it down by destinations, duration, dates or charges.

While many phone companies provide access to billing information, Delta Three says others do not provide real-time information, and do not allow users to turn their bills into graphs. "This has very strong corporate applications," says Elie Wurtman, Delta Three chief executive.
www.deltathree.com

Easier view of Cad data

Visualising a new product from a two-dimensional engineering blueprint is often difficult. So Sweden's Prosolvia group has developed a new low-cost, easy-to-use viewer for all types of 3D computer-aided design data.

Prosolvia says that [PS-Engine]-Review's ease of use and ability to run over a Microsoft Windows NT network enables non-Cad users within a manufacturing organisation to comment simultaneously on design issues by reviewing a solid 3D model on their own PCs.

The programme also enables faster, more effective communication between those involved in product development, typically design, production engineering, quality control, purchasing and management.
www.prosolvia.se

On track with smart labels

Lost luggage, counterfeited brands and missing stock could soon be symbols of the past, if a "smart label" technology developed by Philips Semiconductors wins market acceptance.

The labels, designed for high-value goods such as electronics equipment and clothing as well as baggage and parcel tracking, contain a programmable integrated circuit called I*CODE that can store detailed product information, such as date and place of manufacture, distribution history and warranty details.

Unlike conventional bar codes which need line-of-sight access, Philips' smart labels are based on radio frequency technology and can therefore be scanned from up to 1.2m away without direct access. The chip is powered by the radio signal from the scanner so no battery is required.

The labels can be reprogrammed or added to without having to be reprinted. They can also be placed inside the product packaging to prevent shoplifting without the need for a separate security tag.
www.semiconductors.philips.com

Better projection on the move

Epson, the Japanese electronics group, has launched an ultra-portable projector targeted at the mobile presentation market.

The EMP-5500 is a true SVGA resolution projector and weighs just 4.2kg, thanks to its strong but lightweight polycarbonate casing. Epson claims the new projector can deliver 650 lumens – bright enough to leave the curtains open.

Separately, the group has also launched three new inkjet printers using what it claims is "a significant advance" in its proprietary micro-piezo technology to produce the smallest ink droplets available today.

Among the three machines, the Stylus Colour 740 is aimed at the small home office market, uses three different sizes of ink droplet to produce more lifelike images and costs £232 plus VAT.
www.epson.com

Paul Taylor

هكذا من الاصل

Sorting the mail: privatisation specialist Pablo González Isla says anything would be an improvement

MANAGEMENT PRIVATISATION

Imprinting a new service

Argentina's deregulated postal system is a world first and results are being closely observed, writes **Andrea Mandel-Campbell**

When Argentina's dilapidated state-run postal service was handed over to a private consortium a year ago, an experiment of international significance began.

Governments pondering their own postal futures will be scrutinising the success or failure of the Correo Argentino, the world's first fully deregulated postal service.

The consortium, which is being advised by Britain's Post Office, is led by Sociedad Macri, the Argentine conglomerate, and Banco de Galicia, the country's largest private bank.

Success will be measured by whether the new business can turn around $50m in losses last year on sales of $470m; pay a yearly fee of $103.2m to the government; compete against some 300 private mail operators; and make money.

For Pablo González Isla, Correo Argentino's executive director, it is only a matter of time. With estimated losses of $55m this year, the former Citibank executive forecasts profits of $20m in 1999 and $200m in five years.

To begin with, the company cut the head count from 20,300 to 15,000 while bringing in 1,500 new people from the private sector.

Performance bonuses for managers have been introduced – a novel concept for Argentine companies and rare among postal services. In January, a management system was launched that included a monthly review of goals and a system of performance evaluations. In addition, the introduction of training programmes and, for instance, closed circuit TV to reduce internal corruption, has resulted in a jump in productivity.

Under the terms of the 30-year concession, $250m will be spent in upgrading a system that had not seen investment in 25 years. A new telecommunications network will integrate the mail's 1,500 branches, allowing it to offer services such as telegrams via the internet and instant money transfers. A new sorting system, imported from Britain, is expected to save workers one to two hours a day.

Correo Argentino is also investing $50m in a new processing facility outside Buenos Aires that will handle 85 per cent of the country's mail, from April. Billed as the most modern in Latin America, the facility will enable the mail service to process 5m items a day in five years' time, compared with 2m now.

'The biggest challenge will be luring back disillusioned customers'

For the new processing facility to work, Argentina is changing postal codes from four to eight digits in October. The system paves the way for the creation of a national address database and for the development of a lucrative business in direct marketing, which represents as much as 40 per cent of the income of some postal companies, says Mary Teahan, Correo Argentino marketing director.

Argentines receive an average of seven direct mail items a year, against 183 in the UK, she says. Correo Argentino estimates the new sector will represent 75 per cent of its revenue growth during the next five years. The company also intends to become involved in printing, merchandise warehousing and databases.

"Correo Argentino should be handling four times more mail compared to similar markets. Direct marketing hasn't taken off in Argentina," says Ms Teahan, former marketing director for BankBoston. "It is an area where we have to create growth – my reputation and my bonus plan depends on it."

But whatever the internal changes, the company's biggest challenge will be luring back customers disillusioned after years of bad service. Remnants of the mail's former self are not hard to find among its dark and dingy branches, where customers must choose between half-a-dozen queues, depending on what they want to buy.

At five newly designed branches in Buenos Aires, customers can buy everything from stationery to coffee mugs and even take out a bank loan in bright, modern surroundings. Soon, customers will be able to buy air and ferry tickets, lottery tickets and insurance, and pay their bills. The plan is to turn traditional post offices into a string of "mini-malls" that will make up Argentina's largest retail network.

"The good thing about taking over a company like this is it's very difficult to make a mistake – anything you do is an improvement," says Mr González Isla, who has participated in three government privatisations, including that of Edenor, Argentina's largest electricity distributor. "We had an advantage – we didn't know anything about the mail business," he adds.

Peter Douglas, senior adviser from the British Post Office, agrees. Not knowing the business has meant that Correo Argentino has, to its advantage, broken the postal rule book more than a few times, he says. "There are lots of things happening and lots of approaches which will be replicated in the UK and other parts of world."

MANAGEMENT OLDER MANAGERS

Approving wink for wise owls

Older people make the most effective leaders, **Alison Maitland** reports

Throw away those prejudices about older managers lacking energy and vision and women making gentler (or harsher) bosses than men.

An international survey has discovered that the most effective leaders are senior managers who have been in their jobs and with their organisation for years.

Age and length of tenure are more important than gender or ethnic origin in influencing top executives' behaviour, according to the survey by the UK's Cranfield School of Management.

The study sheds light on the question of age and sex discrimination and the debate about the end of corporate loyalty and "jobs for life". Gender emerges as insignificant in determining whether top managers are good communicators, have clear vision or relate well to others in the organisation.

The study challenges the notion that employees make less contribution as they grow older. "The best performers are people who have been in an organisation for a long time, but are also externally focused," says Andrew Korac-Kakabadse, professor of international management development at Cranfield.

These people are termed "team players" by Prof Korac-Kakabadse, co-author of the research, published in the Journal of Management Development*. They display maturity, realism and tolerance and a commitment to both dialogue and discipline.

The findings are based on two surveys, one involving 750 top managers in the Australian Public Service and the other more than 500 directors in UK National Health Service trusts.

Participants were asked to assess their own attitudes and behaviour, that of their bosses and subordinates, and the impact these had on the organisation's performance.

The findings backed up results from Cranfield's study of leadership qualities among 6,100 private sector directors in 12 countries during the past three years.

The "team players" in the Australian civil service were aged 46 to 55, had 16 to 25 years' experience and had been in their jobs for five to 10 years.

They supported their staff, encouraging them to express their views. They had learned to live with their own mistakes and held a positive view of the organisation while acknowledging its inadequacies.

"They recognise that managing a large organisation is in itself problematic," say the authors. "The problems and issues that arise are never-ending."

These managers insisted on being regularly briefed and often took longer to act because they spent time persuading others to support a chosen action.

But their positive attributes also laid them open to "nasty politics" which could lead to the chop, says Prof Korac-Kakabadse.

"They've worked their way through and have no more axes to grind. They are more interested in servicing the external market and they take things at face value. That leaves them vulnerable to the more negative interactions that can take place in dysfunctional senior management groups."

By contrast, younger senior managers aged 26 to 35 (dubbed "radicals") were impatient of others and critical of their organisation. Their daunting presence and high demands could inhibit dialogue and promote anxiety among others.

Gender emerges as insignificant in determining management effectiveness

"The short-term nature of the manager's time horizon is likely to engender too critical a view towards themselves and others," the study says.

A third group, "bureaucrats", were older managers who had held more senior positions but had been in their jobs for a shorter time than team players.

Disciplined and systematic, they were natural communicators. But they displayed frustration with the organisation, could demotivate others and never stayed in the job long enough to see through changes.

The survey of NHS managers found relationships between top team members were likely to be more positive the older those members were.

"Older senior managers emerge as more disciplined... more able to take a balanced view on issues before reaching a decision and more likely to evolve positive relationships with colleagues, subordinates and people from other departments and external agencies than younger colleagues."

But if older people can make better managers, what about the boredom factor of routine? The study found that these pressures increased over time. But team players came to terms with their negative emotions "by taking a more balanced view of their life".

**Demographics and Leadership Philosophy: Exploring Gender Differences, Journal of Management Development (Vol 17, Nos 5 and 6, 1998).*

TELEVISION THE COLD WAR

Stories that lift the iron curtain

Christopher Dunkley *applauds the arrival of a world-best series that takes up where 'The World At War' left off*

It has been a long wait – 25 years to be precise – largely because Jeremy Isaacs felt he had to interrupt a distinguished television career to go and muck about with an opera house. But this coming Saturday evening finally sees the return in the UK of that outstanding documentary series, *The World At War*. At last there is, once again, something worth watching on Saturday evenings. This is the work for which posterity will remember and thank Isaacs.

True, there have been changes. The title has been changed to mark the fact that *The World At War* finished with the end of the second world war. This new sequence is being called *The Cold War*, since that was what happened next. Twenty-four new programmes, each lasting 50 minutes, take the story on from the appearance of the iron curtain in 1945, through the Marshall Plan, the Korean and Vietnam wars, to the fall of the Berlin Wall in 1989, and the (apparent) triumph of capitalism over communism by 1991.

The series has changed networks, too. Whereas *The World At War* appeared on ITV, *The Cold War* is being shown by BBC2, television having changed with the rest of the world in the interim. When *The World At War* was made, ITV, then Britain's only alternative to the BBC, still saw itself as a broadcaster with public service obligations. Today, with all the talk of *News At 10* being pushed to the margins so that ITV can show uninterrupted movies or popular drama in the middle of the evening, it is unthinkable that the network would finance a factual series as important and expensive as *The Cold War*.

It is still a commercial television series, but ironically it is the Americans – specifically Ted Turner, the founder of CNN and of idealistic ventures such as the Goodwill Games – whose money has made *The Cold War* possible, with the BBC merely contributing later as a co-producer. Several other key personnel in addition to Isaacs remain the same. Once again the music is by Carl Davis, once again it is consistently suitable, and once again (hallelujah!) it is not too loud.

Jerry Kuehl has served again not only as one of the writers but as O.C. Archive Integrity ("No you may *not* reprint that negative of tanks advancing left to right to show them retreating right to left"). It is typical of this series that, where other documentaries show – as though it were real – what is known among archivists to be a re-enactment of the famous meeting of the Allied armies at the Elbe River in 1945, *The Cold War* explains that this was a stunt and finds other ways of illustrating what happened.

There are even improvements on the first series. Laurence Olivier provided the voice-over for *The World At War* and his actorish tones could be annoyingly intrusive. He has been succeeded by Kenneth Branagh who also sounds, from time to time, like a Shakespearian thespian delivering a journalist's words, which is only to be expected since that is exactly the situation. Yet Branagh is less distracting than Olivier. When Isaacs gets on to his next series perhaps he will finally move up to someone with an unhistrionic voice such as Paul Vaughan or Robert Kee.

Far more important than any changes are the ways in which the series continues as before and, happily, a viewing of the first six episodes suggests that in all important respects matters are unaltered. This is scarcely surprising since *The World At War* set the benchmark for such programmes. We are now so accustomed to series such as Norma Percy's *The Second Russian Revolution*, which make television a medium of record for recent world events, that we may forget the pattern practically started with *The World At War*.

Of course, there were earlier attempts, some impressive, to use documentary material in similar ways. The point is that, just as Edison perfected the standard model of electric light without being its inventor, so Isaacs and his team virtually perfected this sort of series.

It is characterised by a two-pronged attack: a frontal assault on the archives (with devious underground attacks when necessary), especially any that have only recently been released, as is the case here thanks to the American Freedom of Information Act, and the opening of Soviet and other Warsaw Pact sources since 1989; and the interviewing on camera of any surviving key participants.

It became startlingly clear with *The World At War* that "key" did not necessarily mean eminent. Some of the most telling contributors turned out to be aides and secretaries, and in making *The Cold War* Isaacs' producers have remembered this. They have interviewed everyone up to and including Jimmy Carter, Fidel Castro (a coup since he usually refuses interviews) and Mikhail Gorbachev. But it is often the civil servants, such as the late Sir Frank Roberts, who served at the British embassy in Moscow, and Clifford Clark, special adviser to President Truman, who provide the most revealing insights.

There may even be a tendency in *The Cold War* to slip too far the other way and include anecdotes for the sake of their colour. Do Zoya Zarubina's accounts of being sworn at by Molotov and of the Russians finding a rare lemon for Churchill's gin and tonic at Yalta add much to history in this week's opening programme? Possibly not.

What seems heartening, on the other hand, is that we do not any longer have to fight the battle to have history of this sort accepted as legitimate and valuable. Soon after the first showing of *The World At War* there was a conference in Windsor at which a number of academic historians spoke about the series with what can only be described as contempt. Print was god and television was, and could only be, light entertainment.

In the intervening 25 years, *The World At War* (re-running at this moment on a network somewhere near you, and of course permanently available on video) has probably given more people a more accurate idea of the truth about the second world war than all the books on the subject put together.

For those of us now in our 50s, *The Cold War* is the story of our lives, or, at least, of the important political events which have occurred in our time. It is an extraordinary saga, in some ways more bizarre than the stories of hot wars which are typical of human history. Hot war, with its tanks and aircraft is relatively easy to illustrate, as this series proves with its coverage of Korea and Vietnam. The real test is to show the meaning of "cold war": what Stalinism and McCarthyism meant.

It is a measure of the real triumph of the new series that it is as vivid and comprehensible in its description of the cold war as its predecessor was in its description of the hot war. Isaacs and his team have created another world best in factual television.

A sensational handbag full of dust

THEATRE

ALASTAIR MACAULAY

Handbag
Lyric Studio, Hammersmith, London

There are few stage authors in Britain writing more interestingly than Mark Ravenhill, and yet the plays he writes are scarcely plays. As with his hit first play, *Shopping and Fucking*, whole Ph.D theses could be written on his new play *Handbag* (or *The Importance of Being Someone*). He is – it is now yet more evident – a searing, intelligent, disturbing sociologist with a talent for satirical dialogue and a flair for sexual sensationalism.

But I do not believe in his characters. They feel like flat cartoons who exhibit only those characteristics needed by Ravenhill to illustrate his larger purpose. Nor do I believe in the milieus they inhabit.

In *Handbag*, his purpose seems to be to expose the perils for child-rearing implicit both in Victorian values and in the liberal values of modern homosexual society. He interleaves the two in alternating, even overlapping scenes.

The Victorian layer is that absurdly immortalised in Wilde's *The Importance of Being Earnest*. Ravenhill whisks us back to the umpteen-years-earlier circumstance on which Wilde premised his plot. We see the future Lady Bracknell (freshly arrived from Ireland and in quest of a husband), her sister and chilly brother-in-law Mr and Mrs Moncreiff, their new-born baby, and its new nanny Miss Prism (so much more devoted to the three-volume novel with which she will improve the world than to her infant charge).

The modern layer is a 1990s plot in which a lesbian couple (Suzanne and Mauretta) and a gay couple (Tom and David) collude as parents, with no greater success than the loveless Moncreiffs.

Overdone and flat: Andrew Scarborough and Paul Rattray dealing with the perils of child-rearing in 'Handbag' Alastair Muir

Both the non-mother (Suzanne) and the non-father (David) are unfaithful to their partners; and even between the four of them they need to hire a childminder – Lorraine, a girl considerably less literate and more traumatised than Miss Prism.

In either set-up, Ravenhill seems most interested in alarming peripheral characters. Around the Moncreiffs, lurks the creepy schoolmaster Cardew, who abuses the boys in his charge. Meanwhile Phil, a boyfriend whom David picks up, proves to be a heroin addict, childishly dependent, surprisingly bisexual, and himself a bad parent. Ravenhill somehow allows these two characters to cross the two eras that his play inhabits. Phil becomes Cardew's adored and abused ward. In *Handbag*, there is no hope for babies. Parents don't love enough, nannies don't care enough, schoolmasters abuse too much, junkies kill.

The concept of the play is, technically, sophisticated. On one level, it is the latest in the post-mod genre of clever plays built around intense reference to dear old *Importance of Being Earnest* (notably, Bennett's *Forty Years On* and Stoppard's *Travesties*). On another level, it is itself of such sociologically satirical time-travelling role-doubling plays as Caryl Churchill's *Cloud Nine*. Meanwhile, Ravenhill remains the sensationalist remembered from *Shopping and Fucking*. *Handbag* contains explicit sexual scenes and repeated burnings of a baby with a lighted cigarette (the baby dies). Ravenhill is always modish: mobile phones play hornpipes, pagers beep, Teletubbies masks are flaunted, and all feature in the sex scenes.

But why all the onstage exchange of bodily fluids – here so much less central to the plot? The sex is, of course, memorable, but it is about the only thing on which Ravenhill expends any gratuitous detail – the only flesh on this artful play's cold bones. And why are two characters involved in market research? Ravenhill seems to need to retread *Shopping and Fucking* terrain.

It is possible that, with another director, *Handbag* might feel less stagey. As directed by Nick Philippou, however, the Actors Touring Company cast keeps drawing attention to just how *faux* the naturalism of Ravenhill's writing is – the pacing is very strained and artificial – and the three concerted passages where characters talk across each other are nothing but uphill, ineffectual exercises for actors.

Faith Flint overdoes everything as both Prism and Lorraine. Andrew Scarborough, Celia Robertson and Julie Riley are two- or one-dimensional as David, Mauretta, and Suzanne. Tim Crouch, as Cardew (also Tom), and Paul Rattray, as Phil, do better in better roles – the physical resemblance of Crouch/Cardew to Ravenhill himself is alarming – but remain theatrical fictions. One wants to know nothing more of the characters than the little we learn; they will crumble into dust as the play ends. *Handbag* – like *Shopping and Fucking*, it must be said – disturbs only a little. Who can be seriously disturbed by a play in whose characters one does not believe? By a play that is not really a play?

Until October 10. Touring England and Scotland until December.

MUSIC ROYAL ALBERT HALL/WIGMORE HALL

Sober triumph in the detail

Almost at the end of the Prom season, we got something unexpectedly moving and serious. Nicholas Harnoncourt conducted Beethoven's late, visionary, non-denominational *Missa Solemnis* with the Chamber Orchestra of Europe, the venerable and excellent Arnold Schoenberg Choir from Vienna, and a distinguished quartet of soloists.

Trying on the great *Missa* in the Royal Albert Hall with reduced "authentic" forces was a kind of experiment. In its quieter but penetrating way, it achieved a sober triumph. Though the towering, vociferous moments made their proper impact, it was the "inward" passages that struck most deeply home. The stretches for heartfelt solo voices – Ruth Ziesak and Bernarda Fink (perfectly matched), Herbert Lippert and Neal Davies – were never mere interludes in the larger plan, but carried as much weight as the grand expostulations.

In quick music Harnoncourt's modest-sized orchestra was often lithe and fleet, never ponderous. We probably heard more finely prepared detail than from a larger conventional band. Towards the end, his tempi slowed to devotional mode, with an effect of intense concentration – which set the trumpet-and-drum "military" irruptions in specially dramatic relief. This was a most rewarding performance, and very beautiful.

*

The Wigmore Hall season is already well under way. On Saturday the pianist Maria Joao Pires and the violinist Augustin Dumay, who have been regular duo-partners for some years, appeared with the cellist Jian Wang as a superlative trio. It seemed almost a waste that they chose to play only lesser Mozart – the slight B-flat Divertimento K.254, and the G major Trio – rather than one of its finer successors; but they delivered them with such fluid grace and charm that we could hardly complain.

Anyway, after the interval they returned with Brahms's splendid B major Trio (still known, misleadingly, as "op. 8", though Brahms made sweeping revisions to it 37 years after the early version). That was, indeed, a resplendent performance – strong, eager, superbly balanced – and it set the Wigmore acoustic ringing. Truth to tell, Pires sometimes sounded uncomfortable with Brahms's virile, big-boned piano-writing (not really her style); amid such enthusiastic conviction, however, there was no excuse for being captious.

The violinist Midori's recital the next evening, with Robert McDonald at the piano, was only a qualified success. Despite her refined technique and musicianship, she is an innately *modest performer*, and McDonald – whose piano technique is nothing special – regularly swamped her. With the lid of the piano wide open, his accompanying figures were often louder than her slender, delicate tone.

Not only in Beethoven's early E-flat sonata, but even – and more damagingly – in Fauré's rapturous first sonata, Midori sounded like a junior partner. In Szymanowski's three *Myths*, her cultivated imagination got more scope (when McDonald gave her a chance), but the Brahms D minor Sonata seemed unwontedly frail, even shrinking. With the piano-lid partly closed, it might all have sounded quite different.

David Murray

INTERNATIONAL

Arts Guide

AMSTERDAM

EXHIBITION
Stedelijk Museum
Tel: 31-20-5732911
www.stedelijk.nl
Bill Viola, 25 Year Survey – A Video Journey: major survey of work by the American video artist. Includes more than 15 installations and 20 video tapes, as well as sketches and notes; to Nov 29

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Götterdämmerung: by Wagner. New staging by Pierre Audi, conducted by Hartmut Haenchen. Cast includes Heinz Kruse, Jeannine Altmeyer and Henk Smit; Sep 16, 20

BUCHAREST

CONCERTS
Sala Mare a Palatului
● Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Wagner, Berg and Tchaikovsky; Sep 18
● Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Schumann and Mahler. With piano soloist Radu Lupu; Sep 19

CHICAGO

EXHIBITION
Art Institute Of Chicago
Tel: 1-312-443 3600
www.artic.edu
Art and Archaeology of Ancient West Mexico: more than 200 works, including terracotta figures found in tombs, and findings of recent excavations; to Dec 6

EDINBURGH

EXHIBITION
National Gallery of Scotland
Tel: 44-131-624 6200
Effigies and Ecstasies: Roman Baroque Sculpture and Design in the Age of Bernini; to Sep 20

OPERA
Edinburgh Festival Theatre
Tel: 44-131-529 6000
The Magic Flute: by Mozart. Scottish Opera production by Martin Duncan, conducted by Richard Farnes; Sep 16, 19

LONDON

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● Otello: by Verdi. New production by David Freeman, designed by Tom Phillips and conducted by Paul Daniel/Mark Shanahan. David Rendall sings the title role; Sep 16, 19
● Rusalka: by Dvořák. Conducted by Richard Hickox in a revival of David Pountney's production, directed by Lynn Binstock. The title role is sung by Susan Patterson; Sep 17

LOS ANGELES

OPERA
L. A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
● Carmen: by Bizet. Washington Opera production by Ann-Margret Pettersson, designed by Lennart Mörk. The conductor is Bertrand de Billy and the title role is sung by Jennifer Larmore; Sep 16, 19
● Werther: by Massenet. Conducted by Emmanuel Joel in a co-production with Théâtre du Capitole Toulouse staged by Nicolas Joël and designed by Hubert Monloup. The title role is sung by Ramón Vargas; Sep 18

LUCERNE

CONCERTS
International Festival of Music
Tel: 41-41-226 4400
www.LucerneMusic.ch/
Vienna Philharmonic Orchestra: conducted by Lorin Maazel in a work by Mahler; Sep 16

MADRID

EXHIBITION
Museo Nacional Centro de Arte Reina Sofia
Tel: 34-1-467 5062
Federico Garcia Lorca (1898-1936): centenary celebration of the Spanish poet. Includes biographical material and examples of the different forms in which he worked with collaborators including Falla, Dali and Bunuel; to Sep 21

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
● New York Philharmonic: Kurt Masur conducts works by Beethoven, in the season's opening concert. With violin soloist Isaac Stern; Sep 16
● New York Philharmonic: Kurt Masur conducts Beethoven - The Complete Symphonic Cycle. Programme I (Sep 17, 18); Programme II (Sep 19)

EXHIBITION
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
Letters in Gold: Ottoman Calligraphy from the Sakip Sabanci Collection, Istanbul. 70 objects ranging from the 15th to the 20th century. Includes manuscripts, panels and scrolls; to Dec 13

OPERA
New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
Partenope: by Handel. Directed by Francisco Negrin and conducted by George Manahan. Lisa Saffer sings the title role; Sep 16, 19

PARIS

CONCERT
Théâtre des Champs Elysées
Tel: 33-1-4952 5050
Orchestre National de France: conducted by Leonard Slatkin in works by Chabrier, Franck, Fauré, Roger-Ducasse and Schmitt. With piano soloist Michel Dalberto; Sep 17

EXHIBITION
Musée du Louvre
Tel: 33-1-4020 5151
www.louvre.fr
Astronomy and Astrology in the Islamic World: display of instruments developed by Arab astronomers between the 8th and 15th centuries, shown alongside a selection of everyday and religious objects decorated with astrological designs; to Sep 21

ROME

EXHIBITION
Borghese Gallery
Bernini, the Sculptor: The Beginning of Baroque Art in the Borghese Family. Brings together pieces belonging to the Villa with loans from abroad, including the famous Hermaphrodite from the Louvre. Includes self-portraits and early pieces, and paintings by Lanfranco; to Sep 20

SAN FRANCISCO

OPERA
San Francisco Opera, War Memorial Opera House
Tel: 1-415-864 3330
www.sfopera.com
A Streetcar Named Desire: world premiere of a new opera by André Previn, with a libretto by Philip Littell based on Tennessee Williams' play. The staging is by Colin Graham, with designs by Michael Yeargan. André Previn conducts and the cast includes Renée Fleming and Rodney Gilfry; Sep 19

SEATTLE

CONCERTS
Benaroya Hall
Tel: 1-206-215 4747
www.seattlesymphony.org
Seattle Symphony Orchestra: conducted by Gerard Schwarz in the world premiere of Bright Sheng's Spring Dreams, and works by Barber and R.Strauss. With soloists includig cellist Yo-Yo Ma; Sep 18

Benaroya Recital Hall
Tel: 1-206-215 4747
www.seattlesymphony.org
Seattle Symphony Orchestra: conducted by Gerard Schwarz in a retrospective of the orchestra's composers-in-residence. Includes world premieres of works by David Stock and Samuel Jones, and works by Richard Danielpour, Bright Sheng and Stephen Albert; Sep 16

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
● Japan Philharmonic Symphony Orchestra: conducted by Gianluigi Gelmetti in Brahms' German Requiem; Sep 17, 18
● Yomiuri Nippon Symphony Orchestra: conducted by Gilbert Varga in a programme including works by Chausson and Ravel; Sep 16

VIENNA

CONCERT
Musikverein
Tel: 43-1-5058 6810
Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Wagner, Berg and Tchaikovsky; Sep 16

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

COMMENT & ANALYSIS

Losing Scotland

Over the next two weeks, **John Lloyd** will be reporting on the state of the less-than-United Kingdom. He starts in the north

Scotland's independence is now a real possibility, and would be more momentous than has yet been grasped in the sour philippics exchanged within the Scots political class.

It would end one of the very few political unions that has worked for centuries. It would end the claim by the UK government that its programme of constitutional reform will renovate the Union. Instead, the Labour government would become the administration that "lost Scotland".

It would further isolate the unionists of Northern Ireland, who are being coaxed into a power-sharing arrangement with Republicans, partly in exchange for commitments to bolster the Union with Britain. It would greatly sharpen the dilemma of the Welsh about whether to go for independence. It would pose much more acutely to the English the question of what sort of nation England would be if it were on its own.

Scottish independence could even have European and wider implications, holding out the power of example to such diverse forces as the *Basque and Catalan separatists*, the Parti Quebeçois and even Italy's Northern League.

In the months ahead of elections to the new Scottish regional assembly next year, UK politics will be haunted by the question: will the Scots do it?

Most of the historic reasons for Scotland to remain part of the UK have decayed. For 400 years after the Act of Union in 1707 Great Britain was at the forefront of economic growth and its world power was growing. Now, Britain has neither an imperial nor a missionary purpose – and Scots were active in both those spheres.

At the same time, the existence of the European Union lowers the cost of independence for small countries by providing them with a free trade area in which member states may not discriminate against each other and by creating a common currency which will relieve the Scots of the need to create one for themselves, should they qualify for monetary union.

The result has been a surge of Scottish feeling that affects even those hostile to independence. The Conservative party, the only big British party that still believes in a unitary state, was wiped out in Scotland in last May's general election and is pain*fully reassembling itself on a* devolutionist programme. In his office in Edinburgh's New Town, where the very names of streets and statues affirm the Union, David McLetchie, the likely next leader of the Scots' Tories, says: "We want to get away from the unionist fundamentalism of the last two elections We must be seen to be doing what is best for Scotland."

"We've lived too long with the habit of blaming someone else, usually the English," says Hamish Morrison, who runs the Scottish Fisherman's Federation in Aberdeen. "It's left us dependent."

But what kind of independent country might Scotland be? The surge towards independence is usually described in terms of the Scots character groping for free expression.

The particular expression varies. For Alex Bell, research director of the Scottish National Party, which doubled the number of seats it held in the last elections,the first necessity is to "reject the Celtic cringe. Taking responsibility for ourselves is vital".

More popular is the claim that Scots are more moral than their English neighbours, or at least have produced a culture that takes to *a social democratic, rather* than a liberal free-market, form of government.

"There's something very Scottish about the concepts of equality and fairness," says Alec Salmond, the SNP leader.

John Lloyd on Britain

Mr Salmond is doing more than gaze at this image of Scottishness: he believes Scotland will be robust enough to sustain a rise in income tax for those earning more than £30,000 a year.

The Nationalists' claim to the social democratic mantle does not amuse Labour MPs and ministers who, both in the Scottish office and in government, are largely left-wingers. Now, they must grit their teeth and justify the retention of the Trident nuclear force, which is based at Faslane, on a lovely west of Scotland loch. It is the Nationalists who want to remove it.

"It's inconceivable we would retain it," says Mr Salmond, raising his voice an octave. "Inconceivable that England would base its main nuclear deterrent in a foreign country."

Scotland, then, would *become yet another free*-rider under a nuclear umbrella it would not pay for. The SNP budget identifies savings of £55m from defence.

The SNP's easy assumption of a social democratic morality is open to attack as being high taxing, high spending and irresponsible. The party is wooing business, and recently proposed a sharp (but imprecise) cut in corporation tax.

At the same time it promises to match whatever Labour offers the unions, who will be powerful in an independent (or devolved) Scotland. Their influence was shown clearly when Gus MacDonald, a former militant shipyard worker turned media businessman, became Scottish industry minister, and a vital part of Labour's Scottish policy. "My first call," Mr MacDonald says, "was on the Scottish TUC. The message is partnership ... the days when you joined the union to bash the boss are over. This is a small country; there's a greater habit of consensus."

But not a greater habit of enterprise. The country that produced Adam Smith seems to have turned it back on the "invisible hand" of capitalism in favour of corporatism and, often, a dour suspicion of capitalists.

New business start-ups are 30 per cent below the UK average: Mr Morrisson, a former director of the Scottish Business Council, "there is little of the creativity and drive you need to succeed in the new knowledge industries. Scotland was been lucky with its economy in the 19th century. Now, you need more than luck."

Business is worried by nationalism. The big insurance companies whose main market is in England are worried that higher costs in Scotland will force relocation. But they are too canny to upset the national *Geist*. Many business people say privately they think independence is inevitable; and it "need not be too bad".

Calum MacDonald, MP for the Western Isles and a Scottish Office minister, thinks there is a choice short of independence. "It's the example of a nationalist party which has achieved very large autonomy for its region but has never put the *issue of independence* to the question." Mr Salmond highlights the difference: "Catalonia is powerful because it can determine the future of the Spanish government. Scots MPs cannot do so, except briefly and exceptionally."

Many people – and not only in Scotland – reckon that the government's current plans for devolution may prove unstable and that arguments over which regions get what money will lead to a more radical devolution than the one currently proposed.

It is often said that the amount of power that will actually be devolved will be determined by economics, appealing to stereotypical hardheaded Scots. On independence, though, there is no "essence of Scot" that is hardheaded. The tide of nationalism now appears to be carrying along the intelligentsia, some of the business classes and professions and the bulk of the people. A little more fair wind, and the nationalist tide could push Scotland to separate statehood by 2000.

PERSONAL VIEW M. EMERSON AND D. GROS

Saving Russia

The EU should lead any initiative to help Russia, and see the crisis as a chance to reinforce a wider European order

The Russian crisis is now of extraordinary gravity. Hyper-inflation is possible within weeks. The circumstances could become comparable to those which preceded the Russian revolution of 1917, or which led to the rise of fascism in Germany. Yevgeny Primakov's nomination as prime minister may calm the political cauldron in Moscow for the time being. But he cannot escape the financial crisis, and his appointment of Victor Gerashchenko as head of the central bank seems likely to get the printing presses working overtime. As if this were not enough, Ukraine is in deep financial crisis too.

The European Union is deeply affected by the crisis and should lead any international response. At stake is the geo-political stability of Europe; the EU business upswing, which could be overwhelmed by a global recession; the smooth launch of the single currency, which could be upset by financial crisis; and the EU enlargement process, because accession candidates are vulnerable to large capital outflows. Any one of these four risks is grave enough, let alone the nightmare of all together. On September 3, the European Commission assessed the likely consequences for the EU and its accession candidates as "limited". This is inadequate.

The EU should not write off the Primakov-Gerashchenko regime. Who knows what their choices may be? Some rise in inflation looks inevitable for a few weeks to wipe out arrears of wages, pensions and inter-enterprise debt. But the government might then start afresh with a new stabilisation programme. If it does, the EU should offer two things to Russia and Ukraine immediately:

- Emergency action to stabilise their currencies, including substantial financing for a currency board scheme, pegging the currencies to the euro.
- An new initiative to *strengthen the wider European order*, beyond the EU. The EU is surrounded by instability from Russia to the Balkans to the Mediterranean.

Even if Mr Primakov chooses hyper-inflation, perhaps attempting to suppress it by by some price controls, the EU can still act: it should save the Ukraine from the same fate, rather than let the Russian crisis extend into central Europe. A Ukrainian operation would not be that expensive and could be a useful example for Russia.

If aid is to be effective, it must be made impossible to convert the money into capital flight, as happened before. The only way to do this is by erecting a wall between the government and financial markets. This is a necessary condition for a currency board to function and is the main reason why many economists now support this solution for Russia.

If the Russian and/or Ukrainian governments can meet the right conditions, a currency board should be viable with about 30bn-35bn euros ($35bn-$41bn) of external money. Europe should provide the lion's share. Just as the US Treasury acted quickly in the Mexican crisis, so in the case of Russia, the lead role should be with the EU. We propose that the EU should guarantee through its budget about 20bn euros towards any stabilisation fund. The US and Japan could then add 6bn-7bn euros each. The rouble is best pegged to the euro for reasons of simple trade structure, but more importantly, to get the EU to rise to the challenge.

Of course, all this assumes that the right conditions are in place. If they are not, providing credit is pointless. The two most important problems to address are how to prevent banks and enterprises taking bets on the exchange rate and how to close the gap between government spending and revenue, which is large in Russia and Ukraine. The first point can be addressed by requiring banks and others to match the currency denomination of their assets and liabilities (if a bank has dollar assets, it must have equivalent dollar liabilities).

On the second, it is unrealistic to expect Russia or Ukraine to run a balanced budget immediately. But it is possible to say that, while the government can have a deficit, it may not borrow from financial markets or the central bank, only from western *international* financial institutions. There must therefore be financing for an agreed level of government deficit, disbursed in frequent instalments so that implementation can be monitored: 20bn-30bn euros should be adequate to ensure a period of relative stability.

Beyond the immediate crisis, the EU should give a higher priority to deepening the structures of the wider Europe. It should invite all accession candidates to join in working out the new initiative, focusing on an inclusive, multilateral European order, going far beyond the Council of Europe and other bodies. By contrast, the EU should curb its excessive inclination towards a hub-and-spoke pattern of bilateral relations with its neighbours, which encourages Russia, Ukraine and Turkey to feel excluded. An initiative along these lines seems to have been the subject of an abortive discussion by EU foreign ministers a few days ago. One foreign minister said that the EU should not overreach itself. But the EU should rise to its responsibilities in this hour of need.

–Michael Emerson is visiting research fellow at the London School of Economics and Centre for European Policy Studies, and a former EU ambassador in Moscow. Daniel Gros is deputy director at CEPS, Brussels

LETTERS TO THE EDITOR

Only monetary solution will avert export of Japan's liquidity trap

From Mr Robert Fullem.

Sir, The wealth effect's impact on the global economy as described in Martin Wolf's "Averting the worst" (September 9) should have been a topic of discussion after Japanese equity and property valuations were halved in the early 1990s. The subsequent erosion of financial security in Japan now threatens to hold hostage the rest of the world and cause a global liquidity trap not witnessed since the great depression.

The roots of this "once-or-twice-in-a-century" cycle of economic events lie in technological innovation. Simple invention leads to productivity gains that relieve upward inflationary pressures and cause interest rates to fall as asset prices rise. A period of rapid wealth accumulation eventually ends when a "speculative bubble" bursts and financial retrenchment ensues. The global peak in interest rates in 1921 set the stage for bubbles to burst in the 1920s. The 1981 apex in interest rates may offer the same results and prove that normal economic projections are of little consequence.

While one cannot change the course of economic cycles, monetary policy can smooth the process. Fortunately, wealth preservation became a US monetary policy concern well before recent headlines. Alan Greenspan, Federal Reserve chairman, has consistently taken account of Japan's economy in his testimonies and policy, preventing the export of Japan's liquidity trap to America. Thus, he places much more import on the effect of changing asset prices on international wealth than domestic economists care to do.

Relegating domestic inflationary pressures to the less predictable issue of wealth preservation and global trends appears dovish but is actually a unique and bold revelation by a central banker. However, lower interest rates in the US or fiscal spending in Europe will not solve a liquidity trap in Japan. With Japanese interest rate and fiscal policy ineffectual, money supply targeting remains the sole untested method of restoring long-term economic health.

At present, broad money supply growth in Japan is an anaemic 3.8 per cent. Reinflating the country monetarily would change domestic spending patterns, restore confidence, cause nominal interest rates to rise, unbind fiscal policy, and prevent additional "beggar-thy-neighbour" devaluations. Reverse-contagion would take its course.

Robert Muzilla Fullem,
630 First Ave,
Apt. 20G,
New York, NY 10016, US

Lame duck president the worst prospect

From Mr Robert Mudge.

Sir, Maybe the choice for Congress is not as grim as it seems ("Grim choice for Congress", September 14). Surely there are those within the House who feel this is the appropriate time to redress the balance of power in their favour. The president is already weakened, now may be the time to plunge the dagger even further. Certainly, no one can wish for a repeat of the recent summit with Russian President Boris Yeltsin, where Mr Clinton was so busy apologising for his domestic misdemeanours that the more important issue of Russia's financial troubles was disregarded.

Even though the impeachment process will be lengthy, the prospect of a lame duck president in office for the next 18 months may seem more interminable.

Robert Mudge,
editor,
English Service,
Radio Deutsche Welle,
Raderberggürtel 50,
50968 Cologne, Germany

When lives not wasted in defence of ideology

From Mr Nicholas Denton.

Sir, I really must take issue with the statement by Nigel Andrews in his review of *Saving Private Ryan* ("A film for simpletons and sentimentalists", September 10): "Surely the inhumanity of war is the human story: the cruelty at once enormous and reductive, the waste of individual life in an expanse of ideology or fanaticism."

I do not know how old Mr Andrews is or whether he has any knowledge of the issues behind the second world war. But his comment seems to put those who fought on behalf of the "ideology" of democracy on the same footing as those who fought for the ideology of fascism. Forgive me if I seem too idealistic and naive for your sophisticated organ, but surely the second world war was not a war between two ideologies of equal worth during which many human beings were needlessly sacrificed but, by contrast, a war between an ideology for all its faults worth defending and a repugnant ideology which deliberately aimed at annihilation of an entire race and subjugation of many others. Mr Andrews may feel those who died in the allied cause wasted their lives, but I, and I am sure many others, do not.

Nicholas Denton,
48 Scholars Way,
Amersham,
Bucks HP6 6UW, UK

Microsoft's bought-in growth not to be ignored

From Mr Bill Pieser.

Reading "Waiting to connect you" (September 10) by Roger Taylor and William Lewis I am taken by their mischaracterisation of the role M&A has played in the creation of the Microsoft product empire. The authors use Microsoft as the model of organic growth to counterbalance the value of M&A in technology companies with the statement: "Microsoft, the world's largest software producer and one of the two-largest companies in the US [sic], has grown almost entirely through organic growth."

I wonder how the following list figures in their conclusion:

- MS-DOS, acquired from Seattle Microcomputer/Steve Patterson.
- Microsoft Word, acquired as a character-based DOS product.
- Microsoft Excel, acquired as a Mac product.
- Microsoft PowerPoint, acquired as a Mac product.
- Microsoft FoxPro, acquired from Fox Software.
- Microsoft Visual Basic, acquired substantially through contract development.
- Microsoft SQL Server, acquired licence from Sybase.

There are many others of course. Microsoft deserves credit for the continued development and enhancement of these products, and for the marketing might that has made them the *de facto* standards of the computing world. Most on the list were languishing with their original authors. That is precisely the point. M&A is an integral part of the software "food chain", even if you are Microsoft.

Bill Pieser,
executive vice-president,
Platinum Software Corp.,
195 Technology Dr.,
Irvine, CA 92618,
US

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers worldwide. Letters may be faxed to +44 171-873 5938 (set fax to "fine"), e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages. Fax 0171 873 5938. Letters should be typed and not hand written.

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Wednesday September 16 1998

Power failure in the White House

Even if Bill Clinton survives the threat of impeachment, his capacity to exercise effective political leadership during the remainder of his term in office must be seriously in question. That would be a worrying prospect at any time. It is particularly so at a moment when hopes of stabilising global economic turmoil hinge on Washington's ability to take the lead. How should the rest of the world cope with the uncertainties created by Mr Clinton's plight, and what, if anything, can it do to reduce them?

The first lesson is to keep the risks clearly in perspective. In one sense, the immediate impact of the Lewinsky affair on the conduct of US foreign economic policy may be fairly limited. Fears of a power vacuum in the White House may unsettle financial *markets. But the most critical* decisions on how to respond to global economic problems lie not with the US president, but with Alan Greenspan, the Federal Reserve chairman.

True, Mr Clinton is likely to find it harder to secure legislation from Congress. But the threat of lame-duck status during his last two years in office faced him well before his latest troubles. Apart from his stalled attempt to obtain increased funding for the International Monetary Fund, he is currently seeking no vital piece of international economic legislation.

Nonetheless, Mr Clinton's predicament could pose serious dangers. The biggest is that he will be less able to withstand misguided Congressional moves which would make global economic problems worse. There are growing concerns that the deepening US trade deficit will increase pressure for unilateral import restrictions, particularly if US growth falters. Mr Clinton's resistance could be further undermined if his efforts to avoid impeachment tempt him into deals with more protectionist-minded Democrats in Congress.

The scope for America's partners to influence such developments is severely limited. But if anyone can hope to play a restraining role, it is the European Union. Not only is it the *biggest US trade and investment* partner. But both sides have been actively seeking to strengthen their political and economic links. One result has been to sensitise the EU to the need to engage more effectively with Congress.

But to stand a chance of success, the EU must meet at least two conditions. One is to show greater awareness of the threats posed by global economic instability. Until recently, it has seemed preoccupied mainly with their implications for the euro. The EU cannot hope to keep the US internationally engaged if it persists in navel-gazing. It must also avoid provocative gestures. That means eschewing loose talk about the euro becoming a rival to the dollar, and ensuring that its trade initiatives, such as the proposed agreement with Mercosur, are not seen as mischievous attempts to upstage the US.

The EU's own institutional and political constraints prevent it from aspiring, at least in the foreseeable future, to rivalling US global leadership. But at a critical stage in US political history and in the world economy, it needs to do all it can to ensure that that leadership continues to be exercised as effectively and benignly as possible.

Tricky alliances

One of the drawbacks of democracy is that a fragmented vote can create a weak government. Sweden, where the Social Democrats have been in office for 46 of the past 55 years, might be *considered* immune *from* this tendency. This Sunday's elections will prove otherwise.

Until recently, Swedish political parties were aligned according to a socialist/non-socialist split. Now, that scene has fractured. Issues such as Europe and nuclear power have divided the parties. Meanwhile, the Social Democrats' policy of fiscal austerity, though economically sound, has lost them support. It is no longer clear how a workable government will be formed.

After Sunday, the Social Democrats should remain the largest single party, but with a greatly reduced share of the vote. The rightwing Moderates, the other major party, are unlikely to garner *enough support* to be able to form a coalition. There is little doubt that the SDP will be in government; the question is who will support them.

Göran Persson, the prime minister, would like to continue working with the smaller non-socialist parties, one of which, the Centre Party, has supported the present government. But these centrist parties are not impressed with the SDP's policies, and have been campaigning for a non-socialist government.

An alliance with the ex-communist Left party, perhaps together with the environmentalist Greens, would be easier to negotiate. But, as Mr Persson is well aware, the Left is likely to extract a high price for support. Already, they are demanding that the SDP use Sweden's expected budget surplus to create 100,000 new public-sector jobs, rather than to repay public debt.

Faced with these difficulties, the SDP could choose a third route of muddling through without any firm alliances, relying on the support of different parties for different issues.

Whatever the SDP does, the government will inevitably be weakened. Squabbles over alliance-forming could delay action on important issues, particularly tax reform. And early membership of European economic and monetary union will remain unlikely, as the anti-European stance of two potential alliance partners, the Left and the Centre parties, reinforces the SDP's scepticism and the public's opposition. If he wins, Mr Persson will need great skill to negotiate the next four years.

Impotence pains

Around the world, health systems have reacted in sharply *differing* ways to the challenge of paying for Viagra, the anti-impotence pill which gained its licence for European use yesterday. Germany has decided that as a so-called "lifestyle" drug it will be available only privately. Belgium and the UK have it under review. In the US, half of health plans won't pay for it, but Medicare, the health system for the elderly, will.

The challenge for those responsible for authorising payment is to decide a set of principles which can be applied not just to Viagra but to other "lifestyle" drugs which are just over the medical horizon – obesity drugs and memory enhancers, for example.

Viagra should plainly not be available through public health services for purely recreational use. But given the misery that impotence causes, the drug clearly should be provided for people with a genuine clinical need – diabetics, and those demonstrably impotent due to prostate surgery or other definable clinical causes.

In seeking to control the potential cost – and possible abuse – tightly drawn guidelines will be needed. But those in charge should not distort hospital priorities – as the UK threatens to do – by seeking to restrict precribing purely to specialists.

Beyond that – and because impotence is not an all or nothing condition, but runs along a continuum – regulations should be eased to make private prescribing of the drug easier by ordinary doctors. That would allow any usage which might be termed "lifestyle" rather than clinical need to be catered for under medical supervision at the price of hiring a couple of videos, rather than on the black market.

This twin-track approach could work equally well for memory enhancers, for example, if they assist in diseases such as Alzheimers, but also turn out improve the normal memory of a 70 year old to that of someone of 60.

Under this sort of arrangement, public health services could afford Viagra, as long as they took ever more rigorous steps to encourage doctors to prescribe what works and eschew what does not. Ending the unnecessary prescribing of antibiotics, for *example, would alone save* as much as Viagra, under such an approach, would be likely to cost. Patients would be both happier and better treated.

Supporting a house of cards

The G7 must make some painful choices now if it is to halt the crisis in the world economy, writes Martin Wolf

The west is waking up. The statement issued on Monday by the finance ministers and central bank governors of the Group of Seven leading countries shows that. Happily, the important players in the economic drama – Robert Rubin at the US Treasury and Alan Greenspan at the Federal Reserve – are not embroiled in the presidential soap opera. The question is what they – and the rest of the G7 – should do.

Some westerners believe that the crisis in emerging markets should be treated as background noise, irritating perhaps but *rather trivial. This attitude is* stupid, short-sighted and immoral. It is stupid because a crisis embracing 40 per cent of the world economy inevitably damages the west. It is short-sighted because not just the fate of the afflicted economies, but the legitimacy of a capitalist world economy is at stake. It is immoral because the crisis is *harming hundreds of millions of* people.

Something needs to be done. But what? There are three immediate tasks: sustain the growth of demand in the US and western Europe; halt the spread of the emerging-market contagion; and help restore damaged countries to renewed health.

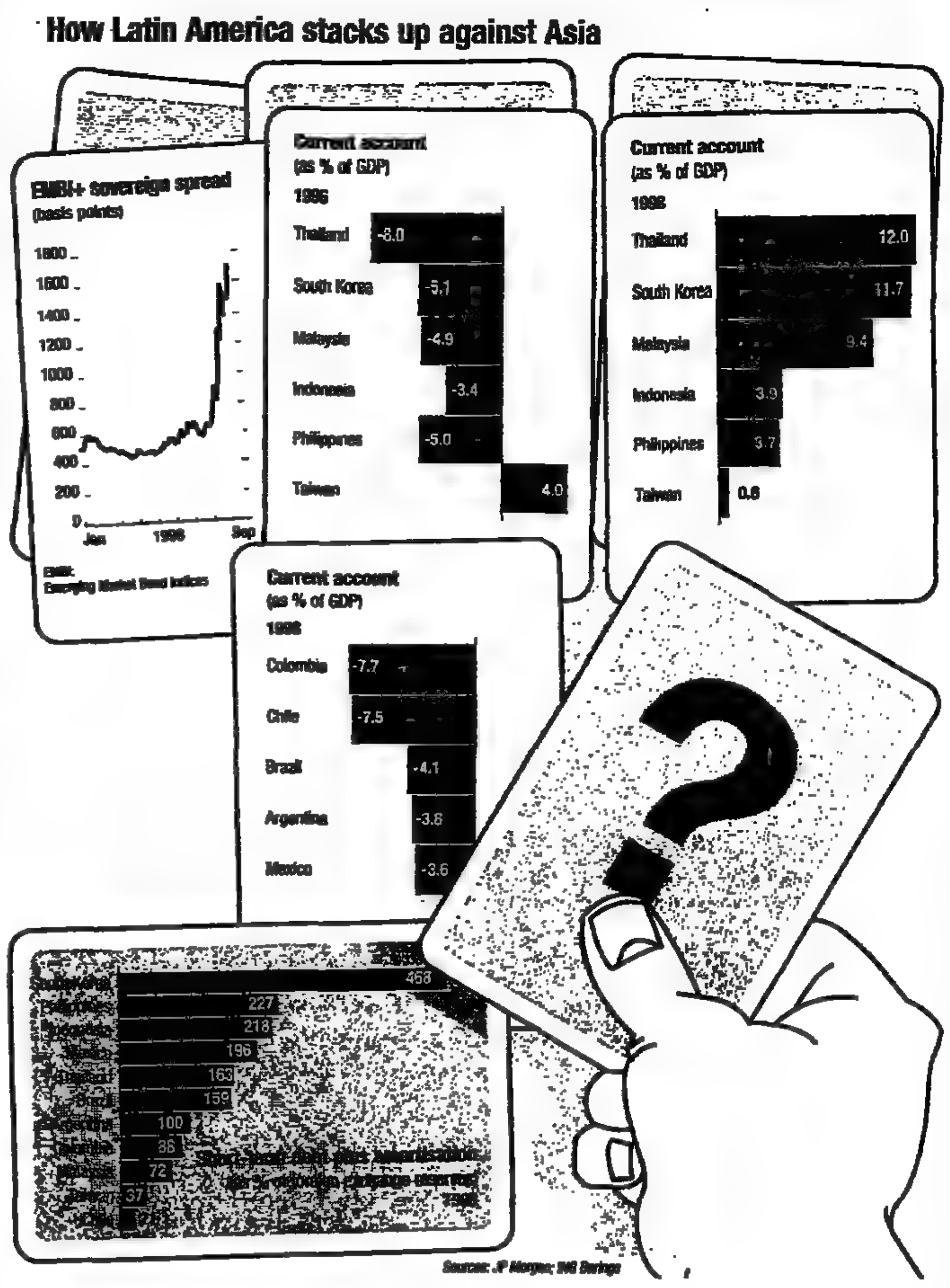
Start then with the first. In its statement, the G7 reached the unsurprising conclusion that "inflation is low or falling in many parts of the world". More important, "they emphasised their commitment to preserve or create conditions for sustainable domestic growth and financial stability in their own economies".

What might those words mean? To answer, the starting point must be Japan, the country that has failed to do so. Its economy shrank at an annual rate of 3.3 per cent in the third quarter and has yields on long-term bonds at below 1 per cent – a rate consistent only with the expectation of falling prices.

With its recent cut in the short-term interest rate, the Bank of Japan may be signalling an aggressive expansion of the monetary base. This is the worst possible policy, except for the only other one on offer, namely to do almost nothing. Washington would prefer the Japanese government to try a more aggressive fiscal expansion, but some fiscal *stimulus has already been* applied, to little effect, and little more is apparently going to happen. As for cleaning up a banking system with non-performing loans estimated at a staggering \$1,000bn, that is bound to take some time. If the weaker yen were to reduce the capital of the banks, as some analysts argue, the scale of needed government finance would increase further.

Aggressive and open-ended monetary emission would indeed expand Japanese domestic demand. It would also weaken the yen, perhaps dramatically. In a deflationary domestic environment, the monetary expansion is justified. But for the rest of the world, the weakening of the yen would be a mixed blessing, at best.

The beneficial side of the policy would be the squeeze on inflation in the US and western Europe. This disinflationary impact would make it easier for Mr Greenspan and his European counterparts to cut interest rates without contravening their domestic mandates to low inflation. Unfortunately, a weakening yen would also increase pressure on a number of other currencies, notably the Korean won and the Taiwanese and Hong Kong dollars. It might also be an excuse for a Chinese devaluation.



This raises the second question, which is how to halt the *contagion, particularly in Latin* America. A glance at the chart shows that a number of Latin American countries are now running current account deficits as large as those of the afflicted Asian countries, before their collapse (see chart). In Mexico and Brazil, the ratios of short term debt to foreign exchange reserves are similar to those of adversely affected Asian economies.

With 45 per cent of Latin America's gross domestic product, Brazil is the keystone in the arch. It is crumbling: \$12.7bn of capital has fled the country this month. The fiscal deficit has been 7.8 per cent of gross domestic product (GDP) over the past 12 months. Interest rates have been put up to 50 per cent, to support the currency. This is obviously unsustainable.

A case can be made for trying to hold the line until after the presidential election, due on October 4. After that, a big fiscal package might be introduced. Stopgap measures, including tighter exchange controls, and a standard IMF package might achieve this. But when risk premia on emerging market debt are as high as they are today, the only sure escape is for the G7 to act as a true lender of last resort. That would mean it would cease to provide modest sums in limited tranches, but would offer huge sums up front and almost *unconditionally. For Brazil, a line* of credit of \$100bn would surely do the trick. Given the present panic, there is also a strong case for this. But it will not happen – at least not on that scale.

The sanest alternative is to float the *real* before both the reserves and the government's

Aggressive monetary emission would expand Japanese demand. It would also weaken the yen

credibility burn away. This would be an unhappy outcome. Yet in conditions that, for emerging markets, increasingly rival the early 1930s, it looks like the least bad option. Without massive external support or exceptionally strong fundamentals, fixed exchange rates cannot survive in present conditions.

This leads to the third immediate question: how to bring about recovery in the most afflicted economies. Afflicted they are. The swing in Thailand's current account between 1996 and 1998 is now expected to be more than 20 per cent of GDP, from a deficit of 8 per cent to a surplus of over 12 *per cent. In South Korea,* the adjustment is expected to be close to 16 per cent of GDP and in Indonesia more than 14 per cent. Given this brutal consequence of last year's capital flight, it cannot be surprising that they are all in depression.

What can be done to help them escape? The short answer is that the chief priorities are an easy monetary policy and elimination of the overhang of internal and external debt. Progress has been made on both fronts, particularly by South Korea and Thailand.

Korea's overnight interest rate fell from 22.1 per cent in March to 8.6 per cent at the end of last month. Thailand was able to lower its inter-bank rate from 24.5 per cent to 14 per cent. The exchange rate is being stabilised, quite naturally, by huge improvements in the external balance and structural reforms. South Korea's foreign exchange reserves grew by \$18bn, to \$45bn, between February and August alone.

Unfortunately, merely lowering interest rates will not push the economy into a strong recovery, because the debt overhang must be eliminated if banks are to lend and companies to invest. South Korean and Thai banks are estimated by Deutsche Bank to have non-performing loans equal to over 40 per cent of GDP. In both countries the dead weight of domestic debt is substantially more onerous than the external burden.

Encouraging these countries to sort out the internal debt overhang is an essential part of the cure. Thailand has made substantial progress already. But it is equally important to speed up negotiations over the external burden. The G7 has harsh words for countries that "embrace unilateral action on debt as a substitute for reform and co-operation." (They mean Russia). The question, however, is what they are doing to help eliminate unpayable external debt, not least that owed by the private sector. Debt-equity swaps, debt buy-backs and all the other techniques employed in Latin America during the 1980s need to be brought into play now.

Where then does that leave the heterodox recommendation by Paul Krugman of the Massachusetts Institute of Technology that afflicted countries should impose short-term controls on capital outflow? The immediate answer is that such a policy does little to eliminate debt overhangs or promote policy reforms. But it might permit a country to run a looser monetary policy, without risking a collapse in the exchange rate. This could help – or so at least Mahathir Mohammed, prime minister of Malaysia, believes.

The chief objection is that the policy is likely to turn into a semi-permanent attempt to avoid resolving underlying difficulties rather than a temporary means to facilitate recovery. If so, there will be still *greater difficulties* further down the road.

Malaysia avoided accumulating much short term debt, which is why it has avoided the unwelcome embrace of the IMF. But its overhang of unpayable domestic debt is estimated at over 30 per cent of GDP. What will happen if an already insolvent financial system is not just encouraged, but forced, to expand domestic lending? The answer is that it will lend still more to politically well connected borrowers. The already overwhelming burden of bad debt is then likely to grow rapidly. In a country that already has a ratio of domestic credit to GDP of 1.7 – among the highest in the world – the final outcome *is likely to be a serious inflation.*

In short, for emerging markets, tight controls on capital outflow could do more harm than good. If they are to be avoided, greater help from rich industrial countries will almost certainly be needed. For the latter, five conclusions stand out:

- If Japan does not adopt alternative measures, massive monetary expansion and yen weakening seem inevitable and probably, on balance, desirable.
- If Japan does do this, it will at least force easier monetary policy on the US and Europe.
- It will also trigger a further general devaluation of the emerging market currencies against the US dollar, the euro and the pound.
- If the G7 wants to halt the contagion, it will have to act as a true lender of last resort, on a vast scale, starting with Brazil; and, finally:
- If counterproductive exchange controls are to be avoided and easier monetary policy encouraged, urgent attention must be paid to elimination of unpayable domestic and external debt.

The choices are painful. But the G7 must make them now.

Martin.Wolf@FT.com

OBSERVER

Vulture has his wings clipped

Foreigners are swooping on Japan to pick up assets on the cheap. But it seems that not all vultures are flying high.

Earlier this year, Martin Whitman, who runs the Third Avenue Value Fund, a respected US investment fund, thought he spotted a particularly attractive buy – a cheap Japanese bank. True, analysts were muttering about Long Term Credit Bank's bad loan exposure. But Whitman believed that the bank had a great future through its alliance with Swiss Bank Corporation.

So he bought a big slice of shares this spring. Whitman has not yet revealed the scale of his subsequent loss, but the share price has dropped to a record low of Y19 from over Y300 earlier this year.

A lesser man might have simply given up, not least *because LTCB's future has now* become politically controversial in Japan.

But Whitman, whose personal motto is "safe and cheap" has bitten back: he has sued Long Term Credit Bank in a US court for deciding to forgive its debt to subsidiaries without demanding a restructuring. This doesn't raise *eyebrows in Japan, but Whitman* argues that it's at odds with international norms.

Picking winners on the Tokyo stock markets is hard enough, but it's probably easier than pushing US corporate culture on to a Japanese bank.

Trondheim trek

Trondheim, Norway's medieval capital, is mainly famed for the magnificent 11th century Nidaros Cathedral. Now it looks set to become a banking centre.

It might seem odd to base the country's biggest financial services group – the merger of Christiania Bank, Fokus Bank and the state-owned Postbanken – in the far reaches of western Norway, an hour's flight from the fleshpots of Oslo.

But regional sensitivities have helped derail half a dozen bank mergers in the last year or so – the latest was Oslo-based Den norske Bank's attempt to swallow Trondheim's BN Bank.

So the brokers of the latest deal chose Trondheim, home of Fokus Bank, over the Oslo base of the much larger Christiana Bank. The chances of official approval for the deal won't be harmed either by naming Tormod Hermansen, president of state-owned telecommunications company Telenor, as chairman.

At least Oslo might get a boost to its glitzy new airport which already has several high-flying weekly commuters – like *Stavanger-based Statoil's Harald* Norvik – who are reluctant to cut their ties with the capital. So will Tom Ruud, chief executive of Christiana and of the merged bank, move to Trondheim or spend Monday mornings in Gardermoen's departure lounge?

Off the pitch

Hungarian prime minister Viktor Orban seems to have persuaded Austrian chancellor Viktor Klima to co-operate in a joint bid to stage the 2004 European football championships. But his finance officials seem to think there's quite enough reconstruction to be done without rebuilding Hungary's crumbling stadia.

Yesterday, economic affairs minister Attila Chikan told foreign businessmen Hungary would end *up \$75m in the red from the* tournament, even counting "all the extra beer consumed". But, he said, politicians "with footballing credentials" might want to go ahead. He didn't name names, but it seems that a university side called Jogtatok once had a skilful leftwinger. Name of Viktor Orban.

Nettled

It has been a rough couple of months for Patrick Nettles, head of fibre optics leading light Ciena. Profits have halved, shares have fallen more than 80 per cent and his plan to have Ciena bought by telecoms equipment maker *Tellabs has been junked.*

Much of Nettles's misery is down to AT&T: it put a very large spanner in the works by cancelling an order from Ciena less than an hour before Ciena's shareholders were due to vote on the Tellabs deal. At the time, Nettles hinted darkly that he found the timing of AT&T's actions "troubling". Things haven't improved. He's now complaining that AT&T employees have been told not to talk to *Ciena about* why Ciena lost the order to Lucent Technologies – formerly part of AT&T.

AT&T says reticence is only to be expected as all contracts have confidentiality clauses. Which leaves Nettles to struggle with what psychologists like to call "lack of closure".

Daim fortune

Daim Zainuddin, put in charge of Malaysia's economic recovery a few months back by prime minister Mahathir Mohamad over the head of the then deputy premier and finance minister Anwar Ibrahim, is beginning to *learn about the downside of* power in Malaysia.

When Daim was on the way up, poison-pen letters filled with accusations against Anwar had been circulating for over a year. Eventually, a book repeating the allegations was published and Anwar – who has vigorously denied them – was sacked.

Yesterday, a six-page anonymous poison-pen letter about Daim began making the rounds. Just a warning shot, or the beginning of the end?

The Financial Times

100 years ago

Japan Advances

With Japan we continue to hold a prominent position in the volume of trade, and a very interesting report is furnished by Mr. Consul Langford at Nagasaki. He says that the metal trade has excellent promise for the future, and points out that, however expert the Japanese may become in the construction of ships, a generation at least must pass before there can be entertained the slightest hope of their being able to furnish their own materials. British *shipbuilders are getting orders* of the most valuable kind, and it behoves them to see that this very important branch of the trade is not removed from them.

50 years ago

British Cars For Swiss

Basle, September 15. Figures issued here show that whereas before the war Britain supplied Switzerland with 6 per cent of her total requirements of motor-cars, the percentage has now risen to 21 per cent. The United States supplied 50 per cent compared with 38 per cent before the war. Germany's supplies amounted to 29 per cent in 1938, but are only 3 per cent now.

FINANCIAL TIMES

WEDNESDAY SEPTEMBER 16 1998

THE LEX COLUMN

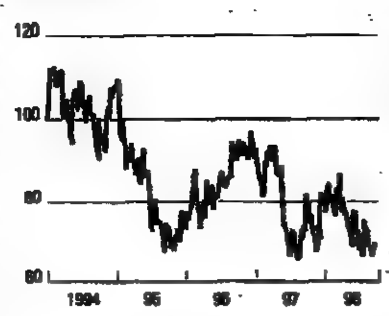
Follow the leader

Better late than never. The Group of Seven leading industrial countries has at last acknowledged that the world is facing a serious financial crisis, deserving their attention. And Monday's statement, hinting at co-ordinated interest rate cuts, promises a return to active world leadership. This has rightly helped to reassure investors and bring some calm to financial markets.

But unless these words are followed by deeds, their balm will soon fade. And this raises the first question: is the G7 preparing to intervene now, or only if things get worse? With apparent dissension in the ranks – Hans Tietmeyer, Bundesbank president, said yesterday he saw no reason for Europe to relax its monetary policy – it may take more bad news to prod the G7 into concerted action. That, of course, is hardly good for the markets.

Mr Tietmeyer's comments raise a second point. Are lower rates the panacea the markets think they are? They might help sustain growth in the western economies, a laudable aim. But they could equally fuel inflation in the US and Europe and complicate the transition to the euro. Lower western rates will bring only limited relief to emerging markets given the risk premiums investors are now demanding, so they may not stop contagion. And it will take a much more comprehensive approach to cure the fundamental problems facing the likes of Japan and Russia.

Thomson-CSF
Share price relative to Cac 40 index



Source: Datastream/ICV

Capital controls

Are capital controls coming back? News that the Group of Seven is considering whether they could be desirable (for developing countries, presumably) might suggest so. Certainly the turmoil in emerging markets has shaken the consensus that global prosperity is best advanced by the free flow of capital across frontiers. But it is important to distinguish two different types of control. Controlling money flowing into a country – particularly borrowing in foreign currencies – may reduce its vulnerability to a crisis. With luck, that is all the G7 is thinking about.

Stopping money flowing out in the midst of a crisis is another matter. Some advocates say such controls can be used to maintain the level of an exchange rate while cutting interest rates, as Malaysia has done. But it is hard to see what long-term benefit there is in supporting an overvalued exchange rate while running excessively loose monetary policies. Moreover, in most crisis-ridden countries, the core problem is not a sliding exchange rate but excessive debt. Slapping on capital controls does little to prevent default.

If the benefits are unclear, the damage is obvious. Not only do controls on outflows spawn black markets and cut off the country concerned from inflows but, in the current global turmoil, merely mentioning the topic could encourage investors to take their cash out while they still have a chance.

Inflation-linked bonds

Deflation is the new investment bogeyman: overheating is yesterday's story. It seems a strange time, then, for France to be dipping its toe in the water as the first euro-zone issuer of inflation-linked bonds. After all, governments have traditionally resorted to these when inflation was a pressing concern. But the current growth outlook suggests falling inflation and interest rates – a recipe for preferring nominal bonds.

For all that, yesterday's auction got off to a good start – no surprise, perhaps, given the small size of the issue and the government's desire not to scare off novice investors. But for long-term holders, at least, there is also a respectable investment case. After all, the 3 per cent real yield offered compares with a 4.15 per cent yield on conventional French bonds. Subtract in a small risk premium and the somewhat optimistic implication is that inflation will average under 1 per cent over the next 10 years.

Europe's ageing population – and the associated growth in the pensions industry – may encourage more inflation-linked issuance. Pension funds need to match real liabilities with real assets. Investors would also be right to worry that countries with large unfunded pensions liabilities might be tempted to succumb to inflation. For these reasons, inflation-linked bonds should not suffer for want of demand, and other EU issuers will surely follow France's example.

Thomson-CSF

When is a provision anything but exceptional? When it features in Thomson-CSF results. There has been an annual provision averaging nearly Fr1bn ($175m) in the French defence group for most of this decade, largely the result of acquisitions. So yesterday's announcement of more provisions to come, potentially taking the company into the red for 1998, was hardly a shocker. The hope is that this time it will include strong action on headcount. This needs to fall, probably by as much as 10 per cent, if Thomson-CSF is to enjoy the full synergies of its latest reorganisation, which reduced the state's holding to 40 per cent and brought in Alcatel, Dassault Industries and Aerospatiale as new core shareholders. If the company bites the bullet on jobs, some analysts reckon Thomson-CSF's latest transformation could reduce its cost base by around Fr1.5bn.

One look at Thomson's operating margins explains how valuable this would be. At 5.6 per cent for the half-year, they are roughly half those of the UK's GEC-Marconi, although some of the gap is in part due to Thomson's high research and development spending.

But if Thomson does not score high on margins or earnings visibility, at least yesterday's results showed a virtually static order book – reassuring when domestic defence budgets are shrinking. Throw in an improved cost base and Thomson-CSF would be well-placed to play a central role in the restructuring of Europe's defence industry.

Iran puts 500,000 troops on alert in warning to Taliban

Tehran appeals to UN as it vows to protect Shia in Afghanistan

By Mark Huband in Tehran

Iran's supreme leader yesterday put its half-million-strong armed forces on alert to intensify pressure on Afghanistan's Taliban militia to halt its military campaign.

Ayatollah Ali Khamenei ordered Iran's army and Revolutionary Guard to prepare to defend Iran against Taliban forces, which Iran regards as a threat to its Islamic government, despite there being no hint that the Taliban plan to attack Iran.

Mr Khamenei said: "On the one hand the issue is of humanitarian concern for us ... on the other hand it has an Islamic side, and this relates to [our] sense of obligation. The issue also has a political and national aspect and this implies averting any danger for the nation."

The Taliban on Sunday seized Afghanistan's main Shia Moslem stronghold of Bamiyan. Shia Iran accused the Sunni Moslem Taliban of committing genocide against the Shia and has called on the United Nations to prevent further slaughter.

The arrival in Tehran on Monday of the bodies of seven of nine Iranian diplomats and an Iranian journalist killed by Taliban troops in the northern Afghan town of Mazar-i-Sharif on August 8 has brought calls in Iran for the deaths to be avenged.

Up to 70,000 Iranian troops conducted military manoeuvres along the Afghan border last week in response to the killings. Iran is now planning to send 200,000 troops to the border region to conduct military manoeuvres from September 23.

Iran's Revolutionary Guard yesterday said it would act to defend Afghans targeted by the Taliban.

"The Taliban criminals and their backers should know that the Guards are ready to take the revenge of the oppressed by revolutionary force," it said. The army said it would "conduct any missions anywhere and under any circumstances" to carry out Ayatollah Khamenei's orders.

In spite of the troop build-up, however, the government is extremely reluctant to become involved in a military conflict with the Pakistan-backed Taliban. Instead, it is hoping that pressure via the UN will encourage Pakistan to force the Taliban to moderate its policies.

According to Konstantin Shuvalov, Russian ambassador to Iran, Iran's moves should not be taken as a threat. "It should be seen within the context of their political steps which are addressed, primarily, to the audience inside Iran. Of course it's a sort of face-saving manoeuvre to keep Iranian prestige abroad. But I don't find any sign of Iran's preparation for military action, or any sign of their preparations to be involved in any kind of conflict," he said.

A senior Iranian official acknowledged yesterday that the pressure for action by Iran's government stemmed from the realisation of how naive Iran's foreign policy has been in refusing to accept the fact of Taliban power. "Many people believe it was a bad policy because if you are involved in Afghanistan you can't ignore the Taliban. And the mood now is not going towards favouring war against them."

Boost for Hong Kong as $8bn rail project is given go-ahead

By Louise Lucas in Hong Kong

Hong Kong gave the go-ahead yesterday to a HK$64bn (US$8.25bn) rail project, bucking the trend of stalled projects across Asia and giving a potential boost to the beleaguered economy.

The approval for the West Rail project, which will serve the more remote and rural New Territories, comes four years after it was first proposed. The protracted haggling that dogged the project means it will now be seeking funds and relying on property revenues in a bear market.

However, it is also a rare glimmer of light for the depressed Asian infrastructure industry. With a few exceptions – Hong Kong's own recently completed US$20bn airport and linking railway project being one – the sector has been more notable for projects scrapped than built.

Among the ambitious projects which have been mothballed by the Asian financial crisis are the US$3.15bn Bakun Dam in Malaysia and the $3.7bn rail and road system in Bangkok, the Thai capital.

Many developers and financiers are shunning Indonesia, one of the worst hit regional economies: Hopewell Holdings of Hong Kong yesterday became the latest to suspend work on an Indonesian power project, issuing a *force majeure* notice.

By contrast, Hong Kong is forging ahead with its infrastructure development. Nicholas Ng, secretary for transport, said the West Rail project would create some 13,000 jobs in the next few years. Unemployment in Hong Kong is at a 15-year high of 4.8 per cent and the construction sector is among the worst affected.

The project is also seen as a means of kick-starting development in the north western New Territories, which is now home to more than 1m residents. The government plans to build up the area, increasing housing and services for the territory's swelling population.

For the Kowloon-Canton Railway Corporation, which is masterminding development of the 30.5km electrified railway, the go-ahead means it can activate plans that were buried by Sino-British squabbling in the run-up to the handover of sovereignty in July last year.

Beijing, whose approval on the project was required as it straddled the colonial administration and China's resumption of sovereignity, quibbled over the costs.

The delays mean that the KCRC will now be tapping the markets for HK$25bn at a time when banks have reined in their lending in Asia, and borrowing costs have risen.

Yeung Kai-yin, chairman and chief executive of the KCRC, agreed the funding costs may be higher. "That's why I have plans to go on the first of a series of financial roadshows next month," he said. "I am going to New York to spy out the lie of the land."

Borrowing costs grow, Page 8

CONTENTS

Australia's opposition leader Kim Beazley and his wife on the election campaign trail. Opinion polls differ about the outcome. Page 8 Reuters

FT WEATHER GUIDE

Europe today

Much of Scandinavia will be cloudy and wet as low pressure continues to dominate, although Denmark will have sunny spells and showers. Low pressure in Eastern Europe will bring outbreaks of rain or showers, some accompanied by thunder. The Balkans and the Mediterranean will be mostly dry and sunny. Central Europe will have rain. Western Europe will have sunny spells and showers. The Iberian Peninsula will be mostly dry and sunny but there will be a few showers in the north.

Five-day forecast

Western Europe will have rain tomorrow but the weekend will become sunny with overnight fog. Scandinavia will have rain until the end of the week but this will clear by Sunday night. The Eastern Mediterranean will have thunderstorms which will break out further west on Sunday.

Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	37
Accra	Cloudy	29
Algiers	Sun	30
Amsterdam	Shower	15
Athens	Sun	28
Atlanta	Fair	31
B. Aires	Sun	19
B.ham	Shower	18
Bangkok	Thunder	31
Barcelona	Sun	27
Beijing	Sun	28
Belfast	Shower	15
Belgrade	Fair	24
Berlin	Shower	15
Bermuda	Shower	30
Bogota	Thunder	19
Bombay	Cloudy	32
Brussels	Shower	15
Budapest	Shower	20
C.hagen	Shower	15
Cairo	Sun	37
Caracas	Cloudy	31
Cardiff	Shower	18
Casablanca	Fair	26
Chicago	Fair	23
Cologne	Rain	16
Dakar	Fair	31
Dallas	Thunder	29
Doha	Cloudy	27
Dubai	Sun	39
Dublin	Fair	17
Dubrovnik	Fair	22
Edinburgh	Shower	[illegible]
Faro	Sun	29
Frankfurt	Rain	17
Geneva	Shower	19
Gibraltar	Sun	25
Glasgow	Shower	14
Hamburg	Thunder	15
Helsinki	Shower	15
Hong Kong	Fair	31
Honolulu	Cloudy	31
Istanbul	Fair	[illegible]
Jakarta	Fair	33
Jersey	Fair	17
Johannesburg	Fair	[illegible]
Karachi	Fair	35
Kuwait	Sun	45
L. Angeles	Sun	25
Las Palmas	Fair	26
Lima	Cloudy	20
Lisbon	Sun	31
London	Fair	19
Luxbourg	Rain	14
Lyon	Shower	21
Madeira	Fair	26
Madrid	Sun	31
Majorca	Fair	27
Malta	Sun	27
Manchester	Shower	16
Manila	Thunder	32
Melbourne	Shower	15
Mexico City	Fair	24
Miami	Thunder	32
Milan	Fair	25
Montreal	Fair	21
Moscow	Rain	19
Munich	Rain	16
Nairobi	Fair	27
Naples	Shower	28
Nassau	Shower	30
New York	Shower	30
Nice	Fair	25
Nicosia	Sun	32
Oslo	Rain	16
Paris	Fair	18
Perth	Sun	22
Prague	Rain	16
Rangoon	Fair	[illegible]
Reykjavik	Shower	10
Rio	Cloudy	24
Rome	Fair	24
S. Frsco	Sun	21
Seoul	Fair	29
Singapore	Thunder	31
Stockholm	Rain	16
Strasbourg	Cloudy	18
Sydney	Fair	21
Tangier	Sun	29
Tel Aviv	Sun	33
Tokyo	Shower	29
Toronto	Fair	21
Vancouver	Cloudy	20
Venice	Fair	22
Vienna	Shower	18
Warsaw	Rain	14
Washington	Fair	32
Wellington	Fair	15
Winnipeg	Shower	26
Zurich	Shower	18

ما كتا من الاجل

500,000 troops o
rning to Taliban

Hong Kong as S8bn
is given go-ahead

FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1998 WEDNESDAY SEPTEMBER 16 1998 Week 38

INSIDE

D-Mark firms as Tietmeyer rejects cut in interest rates

The dollar fell against the D-Mark on new signs that Germany would resist any interest rate cuts made by the US. Hans Tietmeyer, Bundesbank president, said he could see "no reason" to relax monetary policy, quashing hopes that Germany would join any move by the G7 nations to cut rates. Page 31; Lex, Page 20

San Miguel scales back ambitions

San Miguel, the Philippines food and beverages conglomerate, has signalled a curtailment of its international ambitions by announcing it was holding talks over the future of its overseas operations. The move is a further shift in strategy since the return in July of Eduardo Cojuangco (left) as chairman. San Miguel said it was talking to several foreign brewers on forging alliances in its overseas beer operations. Page 22

France issues inflation-linked bond

France yesterday became the first euro-zone country to issue inflation-linked bonds, in its latest attempt to put itself forward as the benchmark issuer after European monetary union. The 10-year FFr24bn ($3.96bn) bond equals Italy's 10-year bond as the *largest euro-denominated* transaction this year. Page 30; Lex, Page 20

Five-year plan for Silesian coal

Poland's five-year coal restructuring plan forsees the loss-making producers in the southern region of Silesia returning to profit within three years. The producers are to shed 105,000 jobs and coal production is to be cut from 137m tonnes to about 110m tonnes a year. Page 32

Spanish internet users win rate cut

A protest by internet users in Spain has prompted an offer of reduced rates from Telefónica, the telecoms group. The new rates followed talks with the Internet Users' Association, which backed a "strike" to boycott services in protest against increases in tariffs. Page 26

Moody's lowers Romanian rating

Moody's, the US credit rating agency, has downgraded Romania's external debt because of concern about the recession-hit country's economic performance. The agency cut the ceiling for Romanian foreign currency bonds and notes from Ba3 to B1. Page 30

Long road back for Argentina

Argentina's stock market has rallied strongly, with gains in the past few days helping to wipe out a 13 per cent fall on Thursday last week. But the market is still more than 50 per cent lower than at the start of the year. Page 42

COMPANIES IN THIS ISSUE

CROSSWORD, Page 30

MARKET STATISTICS

Thomson-CSF warns of losses

Shake-up in face of tougher competition may push French defence group into red for 1998

By David Owen in Paris

Thomson-CSF, the French defence electronics group, yesterday announced a restructuring that could push it into loss this year.

The company, which this year reverted to majority private ownership after 16 years of state control, said moves to combine businesses following the reorganisation would result in as yet unquantified costs for 1998. Details are not expected for some weeks.

Further restructuring is planned as the company faces tougher competition in the fast consolidating European defence and aerospace sectors.

Depending on the scale of provisions and charges, it said it "could report a net consolidated loss for fiscal 1998". It would not say where the provisions would come from.

Thomson-CSF shares climbed FFr3.20, or 1.6 per cent, to FFr203.20 yesterday, compared with a marginal decline for the benchmark CAC 40 index.

This has been a landmark period for Thomson-CSF, whose return to the private sector was part of a reorganisation of the French defence sector instigated by the Socialist-led Jospin government last October. Alcatel, the telecoms group, Dassault Industries and Aerospatiale, the state aerospace group which is itself poised for privatisation, have become core shareholders.

As of September 14, their shareholdings were respectively 15.8 per cent, 5.8 per cent and 3.9 per cent. State-owned Thomson SA remains the biggest shareholder with 40 per cent. Staff hold 1.5 per cent and 32.9 per cent is publicly traded. The French state holds a direct stake of one special share.

The reorganisation is widely seen as a precursor to alliances with defence companies from other European countries such as the UK's General Electric Company.

Since January, Thomson-CSF has been under the leadership of Denis Ranque, chief executive. More top management appointments are expected soon.

The announcement came as Thomson-CSF reported a sharp downturn in first-half net attributable profit from FFr551m ($96.5m) to FFr275m. It blamed a higher tax charge and the lack of a contribution in the latest period from STMicroelectronics. It sold its 17.2 per cent stake in the Franco-Italian semiconductor manufacturer last September for $1.23bn.

Operating income was static at FFr923m, against FFr903m, as were revenues at FFr16.5bn against FFr16.4bn. The order backlog as at June 30 stood at FFr72.3bn, down from FFr72.9bn. The company said its net cash position of FFr6.1bn offered "financial leverage in coming international reorganisations".

The figures are the last to provide a snapshot of the "old" Thomson-CSF. Second-half results will reflect the impact of the restructure.

Lex, Page 20

Rhone-Poulenc and Hoechst hit by problems at Centeon

By Tracy Corrigan in New York

Shares in Rhône-Poulenc and Hoechst, the French and German life sciences groups, fell yesterday when it emerged that US production at their troubled Centeon blood products joint venture had been halted.

Centeon's manufacturing facility at Kankakee, Illinois, was shut down about a month ago, after inspections by the US Food and Drug Administration, the regulatory agency. However, the companies made no official announcement until yesterday after market rumours prompted a fall in the price of their shares.

Hoechst and Rhône-Poulenc are both listed on the New York Stock Exchange, as well as in their respective home markets. Yesterday, Rhône-Poulenc closed down FFr23, or 8.55 per cent, in Paris at FFr246.10, after falling as low as FFr238.40 at one stage. Hoechst shares fell DM2 in Frankfurt before recovering to close at DM72.25, up DM0.15 on the day.

In a letter to Centeon's chief executive officer, Ruedi Wager, dated August 13, the FDA wrote that its investigators had "documented numerous deviations" from its regulations.

The letter said: "Although FDA is permitting a limited distribution of Centeon's medically necessary products, FDA has grave concerns ... about Centeon's ability to continue to ensure that these products are safe and effective."

The company had "failed to comply" with a consent decree issued in January 1997 and had "violated the law". The FDA did not require a total shutdown, but did require a halt in production of some products.

However Rhône-Poulenc said yesterday Centeon decided to shut the US facility completely "for a limited period of time". Rhône-Poulenc said it was continuing discussions with the FDA "on corrective actions and avoidance of a market shortage of its products which are medically necessary".

At the time of going to press, no comment was available either from Centeon or from Hoechst.

Centeon, which produces blood products for treating haemophilia and promoting the healing of surgical wounds, had some blood plasma products recalled in 1996. The FDA's January 1997 consent decree required follow-up inspections for more than four years.

Earlier this year, Astra USA, the American arm of the Swedish drugs company, sued Centeon for failure to supply intravenous multivitamin products as contracted, resulting in sales losses for Astra.

Alvis chief executive Nick Prest, left, and GKN managing director David Wright with a model of the MRAV battlefield taxi after announcing the UK groups are merging their tank businesses. Report, Page 27

Cummins slips 17% on revenue warning

By Richard Tomkins in New York

Shares in Cummins Engine, the world's biggest maker of large diesel engines, plunged 17.25 per cent to $35⁵⁄₈ in early trading yesterday after the Indiana company warned of a sales slump caused by the turmoil in global markets.

It said third-quarter revenues would be about 7-10 per cent below the second-quarter figure because of lower-than-expected sales in Asia, worsening sales in Latin America, and a downturn in agricultural markets worldwide.

Jim Henderson, chairman and chief executive, said: "Recent economic news around the world is causing us to reassess our near-term business prospects in key international markets.

"Revenues associated with Asia appear to have fallen further from the depressed levels of the first half of the year. Worldwide agricultural markets are weaker than we anticipated, and we are also seeing a slowdown in our Latin American markets."

On Monday, Deere, the world's biggest farm machinery maker and a small buyer of Cummins engines, warned it would report lower profits for its fourth quarter to October because of falling sales of agricultural equipment.

Demand for agricultural machinery has fallen because farmers have been hit by the global slump in commodity prices – in turn, resulting from Asia's economic downturn and bumper crops in North America.

Cummins warned that a recent revamp of its product range had brought higher-than-expected start-up costs, hitting gross profits.

This summer, Cummins confirmed plans to cut 1,000 jobs, or 4 per cent of the workforce, over the next 12 months, in addition to other job cuts in recent years.

Yesterday the company said this restructuring would bring a pre-tax charge of $110m in the third quarter, and a further $35m would be allocated to reserves because of a change in the method of estimating product warranty costs.

Mr Henderson said the company was making intense efforts to improve its profit margins by cutting costs, and that full details of the planned restructuring would accompany its third-quarter results.

Three Norwegian banks in $3.6bn merger

By Tim Burt in Stockholm and Valeria Sköld in Oslo

Christiania Bank, Norway's second largest lender, yesterday unveiled a three-way merger with rivals Fokus Bank and state-controlled Postbanken to create the country's biggest financial services group valued at up to NKr28bn ($3.6bn)

The all-share transaction, after several months of talks between the lenders, will give the enlarged bank a 20 per cent market share in retail banking with combined assets of NKr303bn and 2.6m private customers.

In terms of assets and operating income, it will be Scandinavia's seventh largest bank.

The transaction is the latest in a wave of consolidation sweeping the Nordic banking market, and it is one of the first large-scale mergers involving Norwegian financial institutions.

Industry analysts suggested the deal could increase pressure on Den norske Bank, Christiania's bigger rival up to now, to pursue consolidation. Earlier this year the government intervened to block DnB's NKr2bn takeover of Trondheim-based Bolig og naeringsbanken, the mortgage lender, amid concerns at the polarisation of the financial services industry in Oslo.

Under the terms of yesterday's deal, the new group will be based in Trondheim, the small west coast city where Fokus Bank has its headquarters. Investment bankers said the Norwegian parliament would not have sanctioned the deal without an agreement to locate the group outside Oslo.

Christiania was advised by Credit Suisse First Boston, Fokus Bank by JP Morgan and Postbanken by Morgan Stanley Dean Witter.

Although it was presented yesterday as a merger, Christiania will end up with 61.1 per cent of the bank, against 19.2 per cent for Fokus and 19.7 per cent for Postbanken.

The government, which will initially be the largest shareholder, has announced plans to reduce its stake in Christiania from 51 per cent to 33 per cent.

About 900 staff are expected to lose their jobs out of a combined workforce of 6,800.

Observer, Page 19

BARRY RILEY

Turning the equity risk premium upside-down

"Bond markets retreated on Monday," said an FT report yesterday, "driven largely by the rebound in equity prices". This reaction was made to seem natural but it is really rather unusual in Western financial markets that bonds and equities should move in opposite directions. The theory, after all, is that bonds and equities are linked by a reasonably consistent risk premium, or expected excess return on equities.

Certainly the risk premium has become very unstable in recent weeks and opinions about its future level differ widely. An update on the historical picture in the UK markets comes from the latest edition of *Long Term Statistics* from the consulting actuaries Watson Wyatt.

This shows an excess of equity over long gilt returns of 5.8 per cent annualised over the 20-year period to end-1997. During the previous 20 years, up to 1977, real returns in both markets were on average much lower, but the gap between them was much the same at 7.2 per cent.

Normal actuarial expectations involve a much lower risk premium, at perhaps 2-3 per cent. It is considered that unanticipated inflation has distorted the long-term returns in favour of equities.

The historical evidence can vary widely, however, depending on the starting point. In the 1990s UK equities, with an average annual total return of 13.1 per cent, have just been overtaken by long gilts, which have delivered a corresponding 13.7 per cent. In Japan, of course, the measured risk premium has turned much more seriously negative in the 1990s, with equities underperforming bonds by an extraordinary 16 per cent a year, on average.

The London actuarial arm of PricewaterhouseCoopers has *just polled a dozen big UK* pension fund managers for their views (unattributed) on the equity risk premium over the next 15 years. Seven adopted the consensus view of 2-3 per cent, but there were a number of outliers. Two bullish houses opted for historical levels of between 6 and 8 per cent. There were also, suitably enough, three bears; they pitched their estimates at between plus and minus 1 per cent.

If the leading management groups have such strikingly different views on bond and equity returns you might well wonder why their clients' portfolio asset allocations look so similar. Their own business risks are clearly a factor. But it is worth noting that the recent shifts in UK pension fund portfolios, involving some £6bn ($9.9bn) moving out of equities and index-linked gilts in the April-June quarter into fixed interest bonds and cash, have proved timely. Mostly this is likely to have reflected liability-driven rebenchmarking, however, rather than investment judgments as such.

Bonds have greatly outperformed since equities peaked some two months ago – establishing a Japanese-style pattern of thought that what is good for equities is bad for bonds, and vice versa. The bearish fund managers now assume that corporate profits *will be demolished as wages* take a bigger share of national income. Meanwhile stock market analysts are slashing their 1998 earnings projections, yet are apparently not yet willing to admit that prospects are crumbling for 1999 as well.

But to be pessimistic over the next 15 years you must believe that something more persistent is happening than a profits problem. Indeed, there would surely have to be unanticipated *deflation* that would distort equity and bond returns in the opposite way to what happened in the postwar environment.

Mike Lenhoff of Capel-Cure Myers points out that Japanese equities now yield more than 10-year JGBs. This may only be true because the Japanese government is buying in its paper. But we will all have to think very carefully about the financial economics of deflation.

BREWING TALKS WITH FOREIGN GROUPS SIGNAL CURTAILMENT OF OVERSEAS AMBITIONS

San Miguel in alliance talks

By Tony Tassell in Manila

San Miguel, the Philippines food and beverages conglomerate, has signalled a curtailment of its international ambitions by announcing it was in talks with foreign beermakers over the future of its overseas operations.

The move is a further shift in strategy for the ailing group since the return in July of Eduardo Cojuangco as chairman. Mr Cojuangco is a leading figure in the Philippines business community and a former crony of Ferdinand Marcos, the country's deposed president.

San Miguel said it was talking to several foreign brewers on forging alliances in its overseas beer operations. It stressed, however, that the talks were at an exploratory stage.

No companies were named but a local newspaper suggested they included Anheuser Busch of the US, Carlsberg of Denmark and Heineken of the Netherlands.

San Miguel's overseas activities were built up over the past few years as part of a plan to diversify outside the Philippines, where the group is the dominant local brewer. Its foreign operations are believed to be loss-making and to have been hit by the Asian economic crisis and an overcrowded market in China.

San Miguel has three breweries in mainland China, one in Hong Kong, one in Vietnam and one in Indonesia. The local newspaper suggested the company had estimated the combined value of the four Chinese operations at $600m.

However, Andrew Long, analyst with brokers Vickers Ballas, said this seemed unlikely. The Hong Kong operation, which is listed, had seen its market capitalisation fall from about $150m last year to about $33m, he said.

The stock market welcomed news of the talks. San Miguel's widely traded B-shares rose 1.50 pesos, or 3.5 per cent, to 45 pesos on expectations of stemmed losses from the overseas operations and the raising of funds from any disposal.

Mr Long said it might not be the best time to strike a deal on the overseas activities given the overcrowded market in China and uncertainty over the Chinese and Hong Kong currencies.

Other analysts said the talks signalled Mr Cojuangco's intention to localise San Miguel's operations and build a warchest to take pursue acquisitions. Last month San Miguel announced the sale of its 45 per cent stake in Nestlé Philippines for 29bn pesos ($662m).

Paribas Asia, the broker, estimates that after San Miguel receives the final proceeds from the Nestlé sale in November, it will have a gross cash pile of about 57bn pesos.

Eduardo Cojuangco: intends to localise group's operations AP

Speculation grows on new lay-offs at HK Telecom

By Louise Lucas in Hong Kong

Hongkong Telecom, the territory's dominant carrier and one of its biggest employers, has baulked at union requests to clarify reports that it was planning more lay-offs, fuelling speculation that a further round of redundancies is pending.

The Hong Kong Telecom Employees' Union called for clarification yesterday, citing reports that the company was planning up to 700 lay-offs and would also cut the wages of another 5,000 employees by 10 per cent before the year-end.

Hongkong Telecom said it would not respond to the union's request, as it did not comment on speculation.

However, analysts say further cuts are likely as the company prepares for full competition from January. It has already shed employees: in July it said it would lay off 270 managerial staff as part of plans to prepare for further liberalisation in the telecoms market next year.

The cuts also reflect the downturn in Hong Kong, where the economy is forecast to shrink 5 per cent this year and unemployment is at a 15-year high of 4.8 per cent.

While job cuts have largely been in construction, retail and hotels and investment banking – a prolific user of telephones – other businesses have also suffered. Yesterday, Nikko Hong Kong became the latest casualty in stockbroking, laying off some 80 per cent of staff.

Travelers of the US and Nikko Securities, which have formed a strategic alliance, have set up a preparation committee to discuss possible synergies.

Optus stock listing planned

By Russell Baker in Sydney

Mayne Nickless, the Australian healthcare and logistics group, is hoping to complete the sale of its 25 per cent stake in Cable & Wireless Optus via a stock market listing of the country's second largest telecommunications group within the next few months.

Despite the worldwide slump on equity markets, Bob Dalziel, managing director, expressed confidence yesterday that "listing of Optus will take place as soon as practicable and within this calendar year".

The public float will provide the opportunity for Cable and Wireless, the UK-based telecoms group which owns 49 per cent of Optus, to lift its stake above 50 per cent.

Mayne shares surged 6.1 per cent to A$9.02 on Mr Dalziel's assurances that the long-delayed float of the telephony and pay-television group was finally set to proceed, barring another stock market plunge. The float was first proposed in 1996.

Mayne, which reported a 56 per cent slide in net profit to A$44.23m (US$26.6m) for the year to June 30, also revealed that it was selling its Australian Road Express businesses to local transport company Toll Holdings.

The company will transfer from the Australian Stock Exchange's Transport sector to the HealthCare and Biotechnology sector of the All Ordinaries Index.

When Mayne divests its Optus stake, healthcare operations will represent about 70 per cent of funds employed and more than 50 per cent of group profit.

Mayne's drop in bottom-line earnings was due to abnormal net losses of A$87.5m which included a A$24.9m provision for interest costs associated with holding its Optus stake and a A$28.8m provision covering the proposed sale of Australian Road Express.

Mr Dalziel said Optus had been through great change in the past two years and "the prerequisites to a listing have all been addressed".

Last month Optus reported a A$95m net loss in the year to June 30 compared with a A$667m loss previously.

Mayne Nickless intends to offer its own shareholders the opportunity to purchase on a pro-rata basis the bulk of the 25 per cent Optus stake. Excluding abnormals, Mayne managed a 14 per cent rise in profits to A$132m.

Mr Dalziel said "we expect to see the tighter trading conditions continue" however Mayne's current business plans "envisage continuing improvement in group profitability".

Ford sees itself as best for Kia

By BJ Lee in Seoul

Ford Motors of the US says it is still the most suitable candidate to take over South Korea's bankrupt Kia Motors even though it has dropped out of the race to acquire the company because of Kia's huge debts.

In a letter to Kia, Korea's third-largest carmaker, Ford said it had "the best position" to resolve the problems at Kia, a Kia spokesman said.

Along with three Korean carmakers – Samsung, Hyundai and Daewoo – Ford bid in the unsuccessful first round of the auction to sell Kia and its truck-making affiliate Asia Motors. However on Friday the US car giant, which holds a 17 per cent stake in Kia together with its subsidiary Mazda Motors of Japan, said it would not take part in the second-round auction because of nearly Won12,000bn ($8.6bn) of debts at the two companies.

After the four bidders were disqualified in the first-round auction for asking for too much debt write-offs, Kia creditors eased auction terms in the second round, offering to write off Won7,960bn of debts, including Won2,900bn of principal. However Ford said the write-offs were not big enough to make Kia salvageable.

Kia and Asia Motors are being sold together although the successful buyer will be expected to sell off the truckmaker to a third party later. Bids for the second round will close on September 21 with the winner announced on September 29.

Analysts and officials said Ford's remarks showed its intention to maintain its stake in Kia whoever acquires the company.

Samsung, Korea's second-largest conglomerate with a struggling new carmaking unit, is seen as the strongest contender. In the first round, Samsung bid the highest amount of Won1,280bn, followed by Daewoo's Won1,110bn. Hyundai and Ford bid below the minimum bidding price of Won1,100bn.

If Samsung fails to win Kia, its debt-stricken car unit is likely to be phased out in a sweeping industrial reorganisation of top conglomerates pushed by the government to enhance the country's competitiveness.

Korea's top five conglomerates, including Hyundai, Samsung and Daewoo, recently agreed to restructure the car industry in case the Kia auction is aborted again. In that case, only Hyundai and Daewoo, Korea's largest and second-largest car makers are expected to remain with Samsung and Kia absorbed by them.

Chinese bank sees mortgage growth

By Peter Montagnon, Asia Editor

China Construction Bank, one of the country's top four commercial banks, expects its residential mortgage portfolio to grow sharply as China's housing market reforms come into effect, said Zhou Xiaochuan, its new president.

Mr Zhou, recently appointed to head the Construction Bank after a career which included a spell as deputy governor of the central bank, said he expected mortgage lending to account for between 10 and 20 per cent of assets over the medium term.

At present, mortgage lending accounts for only about RMB10bn ($1.2bn) out of total assets of RMB2,300bn.

Western economists believe mortgage-lending by Chinese banks could provide a new and profitable source of business which would help offset some of their losses on lending to large state enterprises.

Housing reform, which is expected to stimulate consumer spending, is seen as a means of pulling the Chinese economy out of its present deflationary weakness.

But Mr Zhou said the pace at which mortgage assets grow in the banking system also depended on progress with the reforms, which had gone more slowly than expected. This was partly because of uncertainty over what level of housing subsidies would remain after the reforms.

According to Mr Zhou, the Construction Bank was well placed to move ahead with mortgages because of its traditional areas of operation, but it was becoming less keen on infrastructure lending, which already accounted for a large proportion of its assets.

The bank was also closing offices in remote rural areas – which are a focus of government efforts to revive economic demand – and concentrating on urban areas with good lending opportunities, he said.

Though interest margins had narrowed sharply this year, the bank's pre-tax profit should at least match last year's RMB2.5bn, struck after provisions of RMB10bn.

Non-performing loans, which affected both lending to state enterprises and private-sector companies, were continuing to grow but at a slower pace, Mr Zhou said.

China International Capital Corporation, the Construction Bank's joint venture with Morgan Stanley of the US, reported net profits of $28m last year after only breaking even in 1996. This was mainly due to income from share issues, notably by China Television in the autumn.

هكذا من الأصل

Optus stock listing planne

Ford sees itself as best for Ki

Chinese bank s mortgage grow

BANKING RETAIL GROUP REPORTS TRADING LOSS OF $330m SO FAR IN CURRENT QUARTER

BankAmerica issues warning

By John Authers in New York

BankAmerica, the largest US retail bank, yesterday warned about profits for the current quarter, blaming the turbulence in international markets for a trading loss of $330m so far in the three months.

The figure followed the bank's estimate that it had taken a trading loss of $200m in the months of July and August, and disappointed Wall Street analysts by implying that it was suffering difficulties in September.

In the second quarter of this year, it made a trading profit of $119m, while in the first it made $251m.

Derek Sword, bank analyst at Keefe Bruyette & Woods in New York, said: "The trading losses are most disappointing. Small things keep rearing their ugly heads."

The announcement continued the trend of the past few weeks, which has seen all the large international US banks announce serious trading hits, primarily as a result of the Russian economic crisis.

However, BankAmerica confirmed it would complete its merger with NationsBank of North Carolina, which is due to take place at the end of this month and will create a group with assets of more than $579bn.

The bank said it still expected after-tax profits "in excess of $500m" for the third quarter, because of continuing strength in its consumer banking business.

However, the bank had become increasingly reliant on income from fees, rather than interest, for its earnings growth, and the $500m forecast implies a serious fall from the $890m net profits it recorded for the quarter which ended in June.

Apart from the $330m loss in net trading income for the quarter so far, the market turbulence has also bit its income from equity investment, which is down from $125m in the second quarter to $30m so far in the third quarter.

The interest income it has generated from purchasing and then holding securities has also suffered, recording a loss of $12m in July and August. This business had earned it $53m in the second quarter.

BankAmerica and NationsBank shareholders will vote on the merger on Thursday next week, with a plan to complete it a few days later. NationsBank, which has much less international exposure than BankAmerica, also reiterated that it was committed to the deal.

Both banks' shares suffered on heavy volume. While most banks were up more than 1.5 per cent, BankAmerica slipped 1\frac{1}{16}$ to $62¼, while NationsBank was down 1\frac{1}{16}$ at $55¾.

David Coulter, chief executive: NationsBank merger confirmed

Philip Services' investors in lawsuit

By Scott Morrison in Toronto

Investors in Philip Services have launched a class action suit in a US district court, the southern district of New York, in which they allege the troubled Canadian waste services company engaged in a pattern of accounting fraud to artificially inflate its share price.

The lawsuit, seeking unspecified damages to investors over a two-year period ending in May 1998, also names a number of US brokerage firms and singles out accountants Deloitte & Touche for allegedly ignoring and in some cases abetting fraudulent accounting practices at the company.

The lawsuit was launched after a dramatic fall in the share price, prompted by a series of announcements earlier this year in which Philip said it would take US$400m in write-downs as well as restate earnings back to 1995. The shares were C$1.71 yesterday, down from a high last year of C$27.90.

It is alleged the company fraudulently, and repeatedly, overstated its assets and revenues while understating its expenses and liabilities. The plaintiffs say the company lied about its financial position in order to continue its aggressive acquisition programme, a significant portion of which was financed by Philip stock. The company acquired 18 companies between September 1996 and October 1997.

Furthermore, the plaintiffs argue that Philip continued to mislead investors in order to ensure the success of a US$364m public offering in November 1997.

The lawsuit also alleges that Deloitte & Touche ignored numerous "red flags" that would indicate serious accounting irregularities at Philip. Moreover, the auditors in some cases "knowingly participated and acquiesced" in Philip's issuance of the false and misleading statements, according to the court document. The plaintiffs allege the auditors advised the company to record material losses as "training expenses" to defer recording the losses. Deloitte auditors who balked at signing-off on the fraudulent reports were removed from the Philip account.

"Deloitte directly participated in the scheme to mislead the public through the dissemination to the investing public of misleading and fraudulent audit opinions on Philip's financial statements," says the lawsuit.

It names as defendants 17 brokerages including Salomon Brothers, Merrill Lynch, Morgan Stanley, CIBC Oppenheimer, CS First Boston and Lehman Brothers. Plaintiffs argue the brokerages failed to perform adequate due diligence prior to underwriting Philip public offerings.

Deloitte & Touche said yesterday it would not comment on specific allegations but was reviewing the court document and preparing a statement of defence which it would file in the US court, probably by the end of October. Philip was unavailable for comment.

Caracas in $90m electricity sell-off

By Christina Hoag in Caracas

The Venezuelan government yesterday sold the first in a series of electricity utilities to a consortium of domestic and international companies for $90m, in a privatisation seen as a confidence boost for investors.

Enelmar, which comprises CMS Electric & Gas, Casa Paris and Consultores Occidentales, beat only one other bidder, Fuerza Electrica de Nueva Esparta, for a 70 per cent stake in Sene.

The winning bid was significantly higher than the base price of $35.5m for a 100 per cent stake. Of the remaining 30 per cent, 20 per cent is to be set aside for employees and 10 per cent is to be placed on the Caracas Stock Exchange.

Enelmar will have to invest at least $210m in the company over the next decade. The utility serves 300,000 customers on the resort island of Margarita and the adjacent islands of Coche and Cubagua.

Analyst Hugo Farias, of the Institute of Higher Business Studies, said the sale was a triumph for the government, which was embarrassed by the failure of its third attempt to sell an aluminium complex last month.

The sale ushered in the privatisation of Venezuela's electricity sector, which needs $5bn of modernisation to meet consumer needs.

The next sale, due in for October, will be of Semda, which covers the eastern states of Delta Amacuro and Monagas.

Humana to take $132m charge

By Tracy Corrigan in New York

Humana, the US managed-care company that last month abandoned a merger with United HealthCare, said yesterday it would take a third-quarter charge of $132m owing to a decision to pull out of several markets.

Humana will withdraw from Sarasota and Treasury Coast, Florida, which are predominantly Medicare markets, and Springfield and Jefferson City, Missouri, which are predominantly commercial markets. It will also withdraw from one of its largest Medicaid markets, which it did not name.

Medicare and Medicaid are government programmes providing healthcare for the elderly and poor. Managed-care companies offer healthcare plans to employer groups, government-sponsored plans and individuals.

Humana walked away from the United Healthcare merger, which would have created the largest single US managed-care company, after United took a $900m restructuring charge and said some of its Medicare plans were unprofitable.

That was one of a number of recent shocks for investors in the managed-care sector, following problems at Oxford Health Plans and Columbia-HCA.

Humana has said it will focus on posting 20-25 per cent earnings growth this year.

The company said the charge of $132m amounted to $83m after tax, or 50 cents a diluted share.

Humana shares rose $$\frac{1}{16}$ to 14\frac{13}{16}$ in morning trading.

C&W commits $1bn to internet business

By Alan Cane

Cable and Wireless, the UK telecommunications group, is committed to spending $1bn over the next five years to maintain and expand its newly acquired internet business.

MCI of the US sold the business to C&W for $1.75bn as a condition of completing its merger with WorldCom, also of the US.

Rich Yalen, chief executive of C&W USA, said the acquisition catapulted the UK group to the world's number one internet provider measured by traffic flows.

He added the company was about to launch its first ever newspaper advertising campaign in the US costing many millions of dollars in a bid to ensure visibility for the C&W brand.

He said: "C&W is immediately positioned to grow the business via strategic affiliations and valuable partnerships. We are on track and ready to grow."

The group has two years to move from MCI's facilities to its own and Mr Yalen said he was considering all options including further acquisitions in the US and the purchase of transmission fibre.

He said the group would be announcing various new internet products in the next few weeks as well as contracts with new and existing customers.

C&W has a two-year window of opportunity in the US when the terms of the MCI sale forbid the US company to compete with it.

It intends, therefore, to sell MCI's internet customers advanced services including data transmission technologies such as frame relay.

Mr Yalen said most of the 1,200 former MCI employees who were moving across to C&W were happy with the deal: "They know they are going to set out direction in the global internet business," he said.

Meanwhile, British Telecommunications, which paid $7bn for its stake in MCI, has no immediate plans either to make further investments or return the cash to shareholders.

It has made a net £1bn ($1.7bn) pre-tax profit on its MCI investment and intends for the moment to use the cash to reinforce its already strong balance sheet.

NEWS DIGEST

OIL AND GAS

AEC launches cash bid for Amber Energy

Alberta Energy (AEC) yesterday announced a C$750m (US$495m)all-cash offer for Amber Energy in a bid to acquire the substantial gas and heavy oil reserves of the struggling junior exploration company. The offer of C$7 a share represents a 54 per cent premium on Monday's closing price of C$4.55 for Amber shares, but Amber's shares jumped to C$7.15 in early trading yesterday in expectation of rival bidders.

AEC, the Alberta government energy company that was privatised in 1993, could acquire at a fire-sale price the substantial assets of Amber, which is sitting on what is believed to be the largest Alberta conventional oil discovery in four decades, at Pelican Lake.

The two companies' combined gas assets would also make it close to being Canada's largest producer. Amber's shares were trading at a high of C$27.25 just a year ago, but the company has been forced to slash production and capital spending due to low world oil prices. It said last week it would cut oil production by 50 per cent, cutting its share value in half.

The C$750m bid includes C$304m in Amber's net debt. Alberta Energy's shares were down C$1.70 at C$32 midday. **Edward Alden, Toronto**

COMPUTER SOFTWARE

Quark abandons Adobe bid

Quark, the Denver-based publishing software company, said it was abandoning its attempt to buy its larger rival Adobe Systems, a month after it first approached the company.

Fred Ebrahimi, Quark chief executive, wrote directly to Adobe's directors in August and proposed a cash bid for the company at a premium to its market value, but failed to name a price.

Adobe rejected his unusual offer and refused to talk to him. Mr Ebrahimi initially considered making a hostile bid for the company and discussed his plans with investment bankers. However yesterday the company announced it had decided not to proceed.

Quark said its offer would have been good for Adobe's shareholders and blamed John Warnock, Adobe chief executive, and Charles Geschke, president, for blocking the deal by refusing to talk to him. The company added that it would now be looking for other acquisitions.
Roger Taylor, San Francisco

MEDIA

Shaw to form new companies

Shaw Communications, the Canadian cable and media group, announced yesterday that it would split its assets into two separately operated companies, a move analysts said would be regarded favourably by investors and regulators.

The announcement follows a recent deal in which Shaw and CanWest Global, the Canadian television broadcaster, agreed to carve up the radio and television assets belonging to WIC Western International Communications. Shaw, which was once primarily a cable television service provider, gained control of WIC's specialty TV channels, as well as its controlling interest in Canadian Satellite Communications (Cancom).

Analysts said the split between Shaw's communications and media companies would give both groups easier access to capital based on the merits of their own strategies. It may also placate regulators, who are believed to be increasingly concerned by Shaw's rapid expansion into specialty TV channels, giving it control over both content and distribution.

Shaw Communications will retain control of the existing cable business, currently serving 1.5m customers in central and western Canada, as well as further interests in direct-to-home services and Cancom. The new media company will operate the group's 23 radio stations, some of which will be acquired from WIC, as well as a number of specialty television channels.
Scott Morrison, Toronto

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	First Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	11.26	12.71	13.16	[illegible]
0100	[illegible]	10.75	11.21	1.03
0130	13.59	10.75	11.21	1.03
0200	13.69	10.75	11.21	1.03
0230	13.89	10.75	11.21	1.03
0300	11.36	10.75	11.21	1.03
[illegible]	13.58	10.75	11.21	1.03
0400	13.56	10.75	11.21	1.03
0430	13.59	10.75	11.21	1.03
0500	13.58	10.75	11.21	1.03
0530	11.63	9.32	9.32	0.00
0600	11.63	7.95	8.40	1.03
0630	9.43	7.95	8.40	1.03
0700	16.16	12.54	13.09	1.03
0730	16.10	13.02	13.47	1.03
0800	16.63	13.09	13.54	1.03
0830	28.64	13.10	13.55	1.03
0900	28.70	14.53	15.00	1.03
0930	18.97	14.77	15.25	1.03
1000	23.54	15.07	15.56	1.03
1030	23.58	15.09	15.59	1.03
1100	27.62	16.30	16.81	1.03
1130	23.69	23.61	24.03	1.03
1200	26.47	23.66	24.10	1.03
1230	30.10	26.12	26.66	1.03
1300	26.29	26.07	26.59	1.03
1330	19.86	19.52	20.01	1.03
1400	16.69	15.03	15.50	1.03
1430	23.47	15.01	15.49	1.03
1500	27.46	15.26	15.73	1.03
1530	23.46	25.93	26.40	1.03
1600	23.49	25.94	26.42	1.03
1630	26.24	26.96	25.47	1.03
1700	26.77	25.99	26.49	1.03
1730	26.75	25.97	26.45	1.03
1800	26.18	14.75	15.20	1.03
1830	22.49	13.69	14.15	1.03
1900	10.21	13.66	14.13	1.03
1930	10.25	13.68	14.13	1.03
2000	26.21	9.47	9.47	0.00
2030	26.22	9.43	9.43	0.00
2100	27.65	16.91	17.36	1.03
2130	27.62	21.54	22.00	1.03
2200	27.61	23.57	24.03	1.03
2230	13.65	14.52	14.98	1.03
2300	13.65	14.52	14.98	1.03
2330	13.43	13.58	14.03	1.03
2400	9.43	13.02	13.47	1.03

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two [illegible]. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.50/MWh becomes 1.650p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process [illegible] to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day [illegible]

صكنا من الاصل

COMPANIES & FINANCE: EUROPE

NORWAY OIL COMPANY AFFECTED BY WEAK PRICES AND EXPLORATION COSTS

Saga issues profits warning

By Valeria Sköld in Oslo

Saga Petroleum, Norway's third largest oil company, yesterday warned that write-downs would wipe about NKr1.6bn ($212m) off its net profits for the first eight months of the year.

It said it would write down by "billions of kroner" the value of its Santa Fe Exploration operations in the North Sea.

The company said a weak oil price, combined with disappointing exploration and reservoir development in its Santa Fe licences, would slice about NKr2.5bn off operating results.

Diderik Schnitler, president and chief executive of Saga Petroleum, yesterday admitted the acquisition in 1996 of Santa Fe had proved to be disappointing, and the price too high.

The company paid NKr1.2bn for Santa Fe, also known as KP North Sea Holdings, from Kuwaiti Petroleum Corporation. At the time of the acquisition, it had valued the business based on an oil price of $18–$19 a barrel. Saga now sees oil at $14 per barrel until the end of next year, and $16 a barrel by the end of 2001.

As a result, Saga expects to reduce the value of the Santa Fe exploration acreage and possible developments in offshore UK and Ireland by about NKr1.3bn. Another NKr500m will be written off to cover fields on the UK shelf, such as Alba and Miller, which produced 20 per cent less than expected last year.

Saga will also write down NKr600m of the book value of a Norwegian North Sea field, known as Varg, which has been plagued by cost increases and depressed oil prices.

Originally budgeted at NKr2.8bn, the project has since ballooned to NKr3.6bn. Saga has been unable to partly offset these overruns through an expected increase in reserves, the company said.

Anders Utne, Saga Petroleum executive vice president, yesterday sought to play down the write-downs.

"Really, what we announced should not have come as a surprise to the analyst," he said.

Mr Utne would not comment on whether the huge write-downs would result in a loss for the latest four-month period, for which results will be announced later this month.

Saga has also been forced to write down NKr75m on its Indonesian operations, based on its new bids for the onshore gas field Jambi Merang.

The company had agreed in May 1997 to sell its 50 per cent stake in the field for $37m to Cue Energy of New Zealand. Cue Energy later withdrew its bid, forcing Saga to seek legal compensation.

Godfried van der Lugt, ING chairman, right, and Ernst Michel Kruse, BHF speaker of the board AP

ING to pursue growth through acquisition

By Andrew Fisher in Frankfurt

ING, the Dutch financial group, yesterday vowed to pursue European expansion, after its purchase of a large stake in BHF-Bank, the medium-sized German bank.

Godfried van der Lugt, ING chairman, said yesterday that while the latest deal – announced on Monday night – lifted ING's presence in the biggest European market, "Europe is not only Germany". He did not specify where ING might seek further growth possibilities, though he has mentioned France and Italy in the past.

ING lifted its holding in BHF-Bank to 39 per cent from 4.5 per cent through the purchase of shares from Allianz, the German insurance group, Munich Reinsurance and DG Bank. BHF, which is much smaller than ING, will keep its name, identity and management.

ING's stake is worth around DM2.5bn ($1.5bn), although Mr van der Lugt said the Dutch bank had paid less than the top price for BHF-Bank shares. The shares, which closed at DM75 on Monday and have been as high as DM87, were suspended yesterday.

ING, which bought a 49 per cent stake in Allgemeine Direktbank, a German direct bank, for DM270m earlier this year, had achieved its main ambitions in Germany through the BHF-Bank deal, Mr van der Lugt said. Further expansion would be directed at other European countries. "We want a strong position in Europe," he said.

However, acquisitions would have to meet its performance targets. ING is aiming at net profit growth of 10 per cent a year and return on equity of at least 12 per cent. He also reaffirmed ING's commitment to emerging markets such as Asia and Russia, despite problems.

The BHF transaction will give ING greater access to the German corporate advisory, asset management, financial trading and private banking markets. BHF-Bank has been the subject of constant takeover talk, especially since its main shareholders have made clear their holdings were not strategic. Alte Leipziger, an insurance company, sold its 6.6 per cent stake in May to institutional investors.

Analysts expected ING eventually to raise its stake in BHF-Bank to a majority, though Mr van der Lugt said it would not do this through gradual buying in the market. "I assume they will go over 50 per cent in the medium term," said Dieter Hein, analyst at Commerzbank.

He said the deal would help ING fulfil its European strategy, since it would take too long for the bank to expand through internal growth.

Coca-Cola promises Orangina job safety

By Samer Iskandar in Paris

Coca-Cola, the US soft drinks company, has pledged to maintain current staffing levels at Orangina, the company it has offered to buy for FFr5bn ($883m) from Pernod Ricard, the French beverage group.

The agreement, signed on Monday night with representatives of Orangina employees, is seen as a last-minute lobbying effort by Coca-Cola to win trade unions' support and regulatory approval for the acquisition.

The French ministry of finance is due to rule on the transaction before the end of the week.

Coca-Cola said yesterday it had agreed with staff representatives at Orangina that there would be no forced redundancies until December 2000, although a voluntary plan would be set up for employees wishing to leave.

The planned acquisition has faced strong opposition since it was announced late last year, notably from PepsiCo, Coca-Cola's rival soft drinks group from the US.

● Sales at Danone, the French food group, fell 1.5 per cent in the first half to FFr43.16bn following recent disposals of grocery products businesses. Net profits were up 6 per cent at FFr1.97bn, as the group's operating margin rose from 8.8 per cent to 9.7 per cent.

Danone said it was confident the financial crises in Asia and Russia would "not alter prospects for earnings growth this year".

The company said yesterday its board had approved a plan to buy back 10 per cent of its shares. The board also endorsed the nomination of Jacques Vincent as deputy chairman and chief executive.

Air lease groups set to merge

By William Hall in Zurich

SAirGroup, the parent of Swissair, and GATX, the US leasing company, are creating the world's third biggest aircraft leasing business by merging their aircraft leasing operations. GATX Flightlease Management will control more 180 aircraft worth close to $6bn.

GATX Flightlease, which will be based in Zurich, will take over the aircraft leases previously managed by GATX Capital and Flightlease. The latter, set up earlier this year to lease aircraft to Swissair and its sister airlines, owns close to 70 aircraft. It has has orders for 31 new aircraft and GATX, which leases more than 110 aircraft leased to 35 carriers, has orders for 15 Boeing 737s.

The aircraft leasing industry has been undergoing consolidation and is dominated by the subsidiaries of two of the world's biggest multinational financial services companies – GE Capital Aviation Services (GECAS) and International Lease Finance Corporation.

GATX and Flightlease described the 50/50 joint venture as a strategic alliance. Flightlease, and its parent SAirGroup, know the airline industry, while GATX has the financial expertise. The new venture will enjoy access to a range of financing solutions, a more balanced aircraft portfolio, and a broader customer base.

Rising costs hit Michelin

By David Owen in Paris

Shares in Michelin fell sharply yesterday after the French tyremaker reported a 12.6 per cent decline in first-half profits, in spite of largely favourable conditions in its principal markets.

The fall – from FFr1.87bn to FFr1.63bn ($285m) at the net attributable profit level, at the lower end of analysts' expectations – was mainly because of increased personnel and commercial and computer costs that were only partly offset by higher volumes.

The company is investing heavily in Asia and other emerging countries in an attempt to lift its market share from inadequate current levels.

It plans, for example, to open a new truck tyre plant in China by the end of the year and recently announced the acquisition of Icollantas, Colombia's biggest tyremaker.

These increased costs took their toll on operating profit, which dipped from FFr3.63bn in the first half of 1997 to FFr3.35bn. With turnover climbing from FFr38.4bn to FFr41bn, this left operating margins at 8.2 per cent, down from 9.5 per cent.

The Clermont-Ferrand-based company had warned in July of erosion of operating margins, saying they "continued to decline slightly compared with the preceding six months".

It also served notice at that time that average sale prices were down by 1.4 per cent, with the priority given to tyre supplies for original equipment customers leading to a "noticeable weakening" in the sales mix.

Yesterday, the group indicated that it expected the second half to be better than the first, with several factors working in its favour. These included a recent rise in sales prices in replacement markets in Europe and North America; the increase in truck tyre sales made possible by new European production capacity; a stabilisation of expenses in priority areas; and new improvements in productivity.

Debt at June 30 stood at FFr17.9bn, down from FFr20.8bn a year earlier, leaving gearing at 67 per cent. The figures included an exceptional gain of FFr71m, against a FFr14m charge in the 1997 first half.

The shares closed down more than 10 per cent at FFr246.40.

Drott lifts Näckebro bid

By Greg McIvor in Stockholm

Drott, the Swedish real estate company, yesterday raised its takeover bid for Näckebro, valuing the rival property group at SKr3.36bn ($427m). It said it had acquired a 37 per cent stake.

Näckebro said, however, that an independent valuation of its property portfolio had uncovered "substantial surplus values", which gave it a net asset value well in excess of Drott's bid.

Drott increased its all-cash offer from SKr126 a share to SKr141, equal to Näckebro's all-time high. Näckebro shares responded by jumping SKr9.50 to SKr140.

However, Lennart Schönning, Näckebro managing director, suggested the bid was too low. Drott would either have to increase its offer a second time or risk having it rejected by Näckebro shareholders.

Both companies favour a tie-up but are deeply divided over how to accomplish it. Drott is determined to pursue a cash takeover, while Näckebro wants a negotiated merger. A deal would create Sweden's largest listed property company, with a combined portfolio of SKr22.8bn.

Drott launched its bid last week, three days after Näckebro unexpectedly acquired 44.6 per cent of its voting rights and 10.7 per cent of its share capital for SKr1.1bn.

Mr Schönning accused Drott of "biting our outstretched hand" by pursuing a takeover. He said a negotiated merger would be the best solution.

Mats Mared, Drott managing director, said the increased offer reflected a higher valuation of Näckebro's portfolio and had been accepted by a number of large institutional owners.

CARMAKING FRENCH GROUP FOLLOWS RIVAL PEUGEOT-CITROEN AND UNVEILS STRONG FIRST-HALF PROFITS

Success of new models boosts Renault

By David Owen in Paris

Renault, the French carmaker, yesterday followed arch rival Peugeot-Citroën in unveiling a big increase in first-half profits.

The company reported net income of FFr4.44bn ($778m), up from FFr1.67bn a year earlier and double the total announced last week by France's other big carmaker.

The advance was achieved on revenues ahead 21.6 per cent at FFr121.7bn on the back of fast rising sales volumes. The automotive division contributed the lion's share of this total, with revenues of FFr97.1bn, up more than 21 per cent over the 1997 period.

The company said the increase was driven in particular by the success of the Mégane, Clio II and Kangoo models. It said it sold worldwide more than 1m cars and light commercial vehicles in the first half of 1998 – up nearly 17 per cent from a year earlier. Seven out of 10 Renault cars were now sold outside France.

Revenues from the commercial vehicles unit reached FFr20.4bn, an increase of 27.8 per cent, while the finance division contributed FFr4.2bn.

Operating income was 16 times the year-earlier figure at FFr5.85bn, with all three operating divisions in profit, against only one a year ago.

Arguably the most impressive turnround was in commercial vehicles, which achieved operating income of FFr513m, against a loss of FFr216m, following cost reductions and sharp increases in sales in Europe and the US.

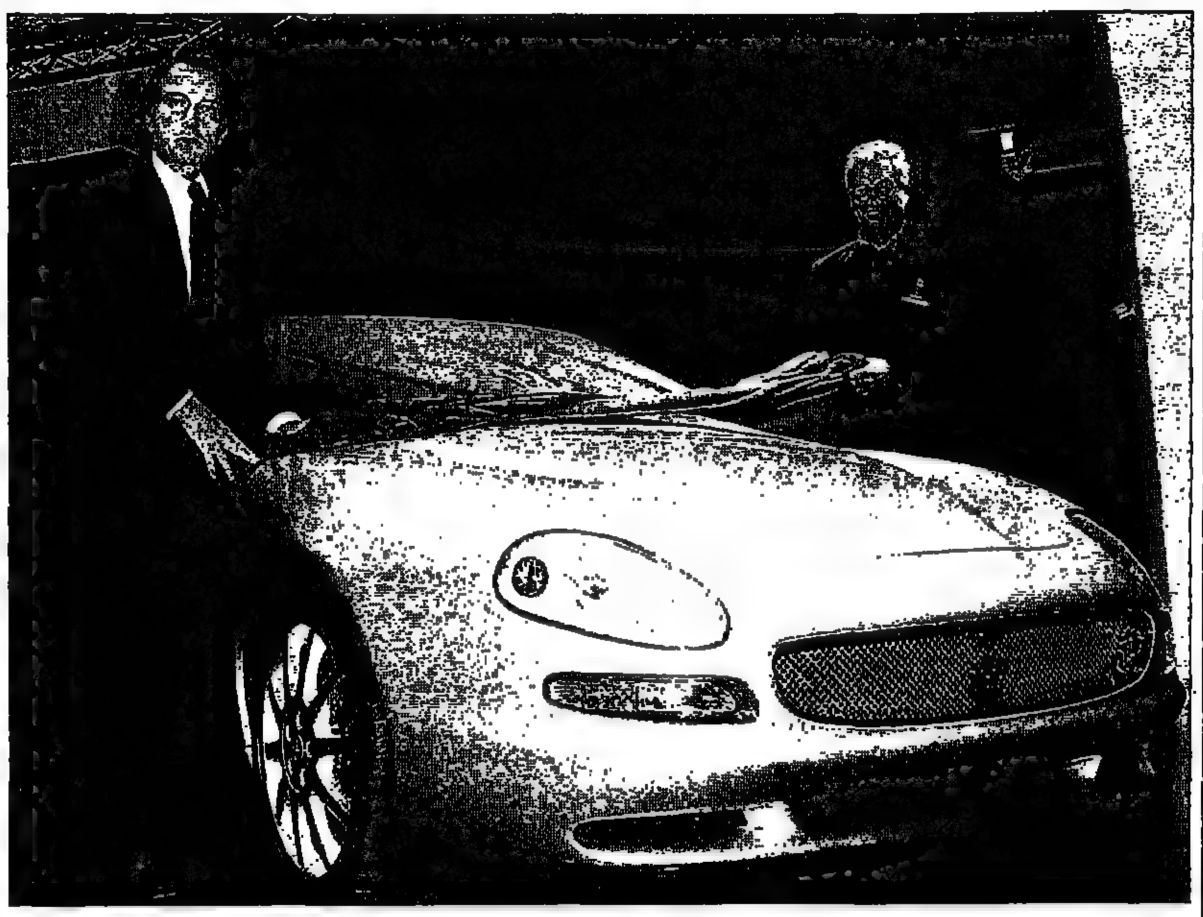
The car unit made the biggest contribution, with income of FFr4.25bn against a FFr162m loss in the corresponding year-earlier period. Operating income from finance, meanwhile, rose from FFr742m to FFr1.09bn, partly thanks to a tax refund of FFr311m from the UK tax authorities.

Financial income fell to FFr158m from FFr686m, reflecting the inclusion in the 1997 figure of a FFr419m capital gain realised on the divestment of shares in Elf Aquitaine, the French oil company.

With car sales in western Europe expected to rise by 3-4 per cent in the full year, the company predicted a "very strong improvement" in the operating income of the car division in 1998 compared with 1997. It said the contribution of the commercial vehicles division should be "clearly positive".

The company also announced a series of planned top personnel changes that should see Patrick Faure take over as chairman of Renault VI, the commercial vehicles arm, and Shemaya Lévy, the current holder of that post, move to become executive vice president of Renault.

Maserati launches new model



Maserati, the Italian sports car manufacturer controlled by Ferrari and Ferrari's parent Fiat, yesterday made its comeback in the luxury market with the launch of its new Sterling 50,000 3200 GT coupe, writes **Paul Betts** in Modena.

After 15 consecutive years of losses, Ferrari and Fiat are banking on the new model, to be followed by a convertible in two years, to revive Maserati. A four-door saloon is also planned.

"It's the last chance for Maserati," admitted Luca di Montezemolo, Ferrari chairman.

Maserati last year lost about L70bn ($42m) on a similar amount of sales. The company aims to increase sales to L230bn-L240bn next year, rising sharply in 2001 with the launch of the convertible and the coupe on the US market. It hopes to break even by 2000-2001.

IT group steps up buying search

By Samer Iskandar in Paris

Cap Gemini, the European information technology consultancy, is using market weakness to step up its search for acquisitions.

Paul Hermelin, president for France and southern Europe, said yesterday that until the recent global turbulence, IT companies had been too expensive.

"We are undertaking our quest for acquisitions with a lot of energy, and we are getting impatient," he said. "Valuations were so high that we have been unable to find [a target] that fits well enough to justify paying those prices."

IT shares were among the worst hit in the recent fall in global share prices.

Cap Gemini's aggressive expansion strategy is driven by the need for new business after the introduction of European economic and monetary union and the millennium computer bomb.

The IT consultancy business has benefited in the run-up to Emu, as companies rushed to make their systems compatible with the single currency. The sector has also been buoyed by the inability of some older computers to recognise the digits 00 as the year 2000.

"A big question mark hangs over growth prospects after 2000," said one member of Cap Gemini's management board.

Activities linked to the euro and 2000 account for FFr2.5bn ($441m), or 10 per cent of the group's revenues.

Cap Gemini said external growth would be mainly in Germany, where the group has little activity, but also in the US, the world's largest market. IT-related spending in the US amounts to 4.3 per cent of gross domestic product, compared with only 2.4 per cent in Europe.

Mr Hermelin said: "We have a smaller presence [in Germany than in the US], so there is less scope for organic growth there."

At the end of June, Cap Gemini had cash reserves of FFr1.72bn, up from net debt of FFr4.12bn a year earlier.

The company yesterday said it had sales of FFr12.5bn in the first half, up 33 per cent from the same period in 1997. Net profits more than doubled, from FFr222m to FFr454m. It is forecasting a 28 per cent rise in sales for the full year to FFr26bn. Geoff Unwin, vice president of the management board, said net profits would increase by some 80 per cent to more than FFr1bn.

Cockerill dips despite bid confirmation

By Neil Buckley in Strasbourg

Shares in Cockerill Sambre slumped almost 11 per cent yesterday in spite of confirmation from Usinor, the French steel group, that it was still planning to bid for a majority stake in the state-controlled Belgian steelmaker.

Cockerill shares fell from BFr212 to BFr189 after the Belgian region of Wallonia, which owns 78.77 per cent of the steelmaker, announced late on Monday that Thyssen Krupp Stahl of Germany was withdrawing from the bidding for the group.

Both Usinor and Thyssen Krupp had entered the final round of the Cockerill privatisation process – in which Wallonia, Belgium's French-speaking southern region, plans to sell just over 50 per cent of the group – and were due to submit bids by September 21. The region had extended the deadline from last month, at Thyssen Krupp's request.

Winning control of Cockerill could have catapulted the successful bidder ahead of Arbed of Luxembourg to the top of the European rankings of steelmakers by output.

Thyssen Krupp refused to comment yesterday on the reasons for its withdrawal, but analysts suggested it had decided the challenge of integrating its businesses after this year's merger of Thyssen and Krupp was too much to allow it also to take on Cockerill.

Usinor said there was "no change" in its bidding plans. Analysts added that Usinor's bargaining power with the Walloon region was now considerably strengthened, and that there was no risk of its being pushed into paying a high price.

"Why should Usinor pay a large premium to the sector's valuation while it will not have full control, and considering it is now the only candidate?" said BBL Vermeulen Raemdonck, the Brussels-based broker.

Cockerill shares had risen sharply in recent months on the expectation of a bidding war for the company – the last large, state-controlled steel group not to have entered into a broader alliance.

But several groups which had earlier shown interest in Cockerill – including Hoogovens of the Netherlands, British Steel, Arbed and Salzgitter of Germany – had either not entered the bidding process or withdrawn. Some, such as Salzgitter, had suggested they were interested only in Eko Stahl, the eastern German steel producer acquired by Cockerill in 1995.

Presenting better-than-expected first-half profits earlier this month, Jean Gandois, Cockerill chairman, refused to rule out the possibility of Cockerill remaining a stand-alone company. However, he said he "sorely hoped" a partner could be found.

Telefónica to cut rates after protest

By David White in Madrid

An unprecedented protest movement by internet users in Spain brought its first result yesterday with an offer of reduced rates from Telefónica, the country's dominant telecommunications company.

The new rate package, still awaiting government approval, followed talks with Spain's Internet Users' Association, which backed a September 3 "strike" to boycott services in protest against increases in telephone tariffs.

The association, claiming the strike obtained a following of more than 50 per cent in peak periods, described Telefónica's offer as "a big success", but said it would continue to seek a US-style flat-rate deal.

Telefónica, which still operates a de facto monopoly on local calls, announced a series of cut-rate schemes which promise to reduce costs by up to 52 per cent for connections made after 8pm.

The protest followed a restructuring of telephone charges which increased the cost of a one-hour daytime internet connection by 126 per cent.

Novartis cuts jobs in US

By William Hall in Zurich

Novartis, the Swiss pharmaceutical company, is cutting 20 per cent of jobs at two of its recently acquired US biotech companies – SyStemix in Palo Alto and Genetic Therapy Inc (GTI) in Gaithersburg, Maryland.

Novartis will run the two companies as a combined operation under the direction of Mike Perry, 39, an ex-Syntex executive who took over as chief executive of SyStemix last year.

About 90 jobs out of a combined workforce of 450 will disappear.

Both companies have been independently managed and Novartis is believed to be concerned that it has not been getting value for money from the $800m it paid for the two businesses.

GTI, based on the US east coast, will concentrate on delivery systems for gene therapy, while SyStemix, based on the west coast, will focus on cell-based gene therapy where it holds a premier position.

Novartis stressed that it was not cutting back on its research effort. The consolidation would allow the combined group to "maintain critical mass and eliminate overlap" while freeing up resources to tackle the scientific hurdles to gene therapy.

The two companies will retain their access to the scientific communities and expertise on both coasts.

● Astra, the Swedish pharmaceuticals group, yesterday confirmed plans to invest up to SKr5.7bn ($726m) in new production facilities, writes Tim Burt in Stockholm.

The company, which manufactures Losec – the world's best-selling prescription drug – said most of the new investment would be centred around Söedertälje south of Stockholm over the next two years. Astra's workforce could more than double to 3,700, it said.

Officials said production would be increased to meet rising volume demand, and emphasised that the group was also investing to expand facilities in Boston and Montreal.

NEWS DIGEST

AUTOMOTIVE COMPONENTS

Valeo to speed up consolidation of unit

Valeo, the French automotive components group, yesterday reeled off another solid set of half-year earnings figures and said it was accelerating the implementation of rationalisation plans, "in response to the crisis in emerging countries and to the economic threat hanging over North America and Europe".

The company, which recently bought the electrical systems business of ITT Industries of the US for FFr10.2bn ($1.8bn), unveiled a 13 per cent advance from FFr740m to FFr836m in first-half net income. The improvement was slightly better than the 11 per cent advance, from FFr17.3bn to FFr19.2bn, in first-half sales. Operating income climbed 14.4 per cent to FFr1.31bn.

The company said consolidation of the electrical systems activities was scheduled for the end of September. Gearing following the acquisition and an associated capital increase would be 35 per cent.

It had already started to implement plans to maximise the "considerable synergies that exist between the acquired activities and those of Valeo". This should result in "significant operational savings and more capital-effective management". **David Owen, Paris**

LIFE ASSURANCE

CNP targets 12% equity return

Caisse Nationale de Prévoyance, the biggest French life assurance company, is aiming for a 12 per cent return on equity after it is floated on the Paris stock exchange early next month. Gilles Benoist, chairman, said yesterday CNP had achieved a 12 per cent return on equity in 1997 and hoped to maintain that level as a private sector company. "In France, this is quite a high figure," he said in London during an investor roadshow.

CNP is likely to be valued at up to FFr22bn ($3.89bn) when a price for its shares is set on October 6. A preliminary price range of FFr146–FFr160 has already been announced. Mr Benoist said 60 per cent of the shares on offer will be sold to institutional investors in France and abroad, with 40 per cent going to French retail investors.

He also confirmed that Swiss Re, the big Swiss reinsurance company, is to take a 1.5 per cent stake in CNP in its partial privatisation, with another 2.5 per cent to be split between 15 public service mutual funds and AGRR Prévoyance, a provident institution. CNP's initial public offering is being lead managed by CDC Marchés and ABN Amro Rothschild. **Vincent Boland**

ISRAEL

Bank Hapoalim to sell stake

Bank Hapoalim, Israel's biggest bank, yesterday further loosened its grip on the Israeli economy and agreed to dispose of its 12 per cent stake in Clal Israel, the country's second largest holding company, for Shk490m ($127m).

The move was the latest stage in banking reforms passed in 1996 to reduce concentration in Israel's economy by forcing big banks to gradually divest their non-financial assets. Hapoalim plans to sell its remaining Clal stake to IDB development, another Israeli holding company, by the end of 1998. All proceeds will be distributed as dividend, along with income from Hapoalim's recent sale of 12 per cent of Clal.

In the next stage of reforms, by the end of 1999, Israel's banks must limit their stake in any non-financial company to 20 per cent. Banks must also limit their non-financial portfolio to no more than 20 per cent of the bank's equity. Before the Clal disposal, about 25 per cent of Hapoalim's equity was invested in non-banking companies. It still owns 23 per cent of Koor Industries, the country's biggest industrial conglomerate. **Avi Machlis, Jerusalem**

ENERGY

Finland delays Fortum sell-off

Finland has delayed a part-privatisation of Fortum, the new energy company formed by the merger of Neste and Imatran Voima. The trade and industry ministry said yesterday it was postponing the sale of a 20-25 per cent stake, expected to raise about FM7bn ($1.4bn), because of volatile stockmarket conditions.

However, the ministry stressed it had no plans to defer an initial public offering in Sonera, the state-owned telecommunications group formerly known as Telecom Finland. Markku Tapio, a ministry official, said the sale of about a 20 per cent stake in Sonera would still go ahead in October. He said telecommunications shares had weathered the stock market downturn better than other more cyclical sectors.

Mr Tapio said it was not clear how long the Fortum sale would be delayed, although the government was ready to start the process as soon as market conditions were "reasonable". Nevertheless, it was not likely to take place until after the Sonera offering. **Greg McIvor, Stockholm**

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

GKN to inject tanks division into Alvis

By Andrew Edgecliffe-Johnson

Alvis and GKN, two of the UK's three armoured vehicles manufacturers, unveiled an important step in the long-awaited consolidation of the industry yesterday, with confirmation that GKN will inject its tanks business into Alvis.

The transaction values the GKN division at £78m ($129m). The engineering group, which also makes Westland helicopters, will receive £63m worth of shares in Alvis, making it the largest investor with a 29.9 per cent stake, and Alvis will assume £15m of working capital liabilities.

The combined group, which will keep the Alvis name, will be among the top three in Europe, alongside Kraus-Maffei of Germany and Giat of France, with the biggest product range of any armoured vehicle manufacturer in the world. It would be "a bridgehead for future consolidation" across the continent, Nick Prest, Alvis chief executive, said.

Analysts forecast that Vickers, the UK's other armoured vehicle group which makes the Challenger II tank, may respond with a bid for the combined group. One said: "Vickers has the options of taking over the whole company or trying to muscle in on the party, but it seems to have missed its invitation."

Vickers would only say that it was "watching developments with interest", but it has been eager in the past to be part of a consolidation of the UK industry, as a precursor for mergers among the 20 other armoured vehicle companies in continental Europe.

Mr Prest said further co-operation between European groups, joint ventures and mergers were all possible. He added that GKN and Alvis were responding to pressure for cost savings from defence departments, and to the fact that their markets have shrunk as governments have cut back on defence spending.

The combined group aims to cut £5m a year from costs. About 150 jobs are expected to go from Alvis's 200-strong plant in Coventry, as production will be moved to GKN's site in Telford, which employs 500.

The merger costs would result in £8.5m of exceptional charges over 1998 and 1999, Mr Prest said, but cash from the sale of surplus property would offset this.

Analysts said the strategic benefits were roughly equal for both companies, but said GKN had done slightly better than Alvis financially. The deal will have no impact on Alvis's earnings this year, but they are expected to drop by about 25 per cent in 1999 before Alvis's earnings show any benefits in 2000.

Although GKN's business made £21.2m operating profit on £160m sales in 1997, it is expected to fall into loss by 1999 as a lucrative order from Kuwait has come to an end. Alvis made £2.95m operating profit from £72.9m turnover last year.

TT may spend £60m on share buy-back

Move to repurchase 20% could be imminent if share price fall continues

By Michael Peel

TT, the engineering group, is prepared to spend £60m ($99m) buying back 20 per cent of its shares if their price continues to fall.

John Newman, executive chairman, said a buy-back of 10 per cent of the stock had already been authorised by shareholders and could be "imminent" if the share price continued to decline. The shares have fallen more than 40 per cent in the past year.

TT also raised the prospect yesterday of bolt-on acquisitions that would take its total outlay to about £145m. It is keen to expand its electronics division to meet increased demand from vehicle manufacturers for in-car electronic devices. The cost of the buy-back and acquisitions could be met from existing debt facilities.

Mr Newman said he thought the group could achieve significant growth in its electronics division, which produces sensors, resistors and air conditioning and sells 57 per cent of its output to carmakers. Although the division's first half turnover and operating profits were flat at £94.3m and £13.8m respectively, Mr Newman said the automotive industry expected the value of electronics used in cars to increase by 55 per cent between 1997 and 2002.

He was announcing pre-tax profits for the six months to June 30 up 15 per cent to £31.1m, on turnover up 10 per cent at £324m.

Operating profits rose 15 per cent to £32.6m, lifted by a contribution from the wires and cables business TT acquired in March 1997 from General Electric Company. TT said operating profits on continuing operations grew per cent. The group said the level of its order books remained subdued, although Mr Newman said this was a seasonal effect. Orders in July and August had declined over the last few years as customers were reluctant to stock up just before summer production slowdowns.

The interim dividend will be 3.69p (3.22p), payable from earnings of 12.7p (11.4p). The shares closed down 3½p at 305p.

Analysts said that although TT recently changed its classification from diversified industrial to engineering in an attempt to shake off the gloom surrounding conglomerates and lift its share price, the stock has underperformed its new sector by about 18 per cent in the past three months.

Dresdner Kleinwort Benson, the company's broker, forecasts pre-tax profits of £66.5m (£62.5m) this year and £71m next, putting the company on a 1998 multiple of 7.5.

Downward pressure: John Newman, executive chairman announcing the group's half-year results yesterday, behind a throttle pedal that TT supplies for Mercedes Colin Beere

MediaOne lifts stake in Telewest to 29.99%

By Christopher Price

MediaOne of the US is paying $405m for an 8.4 per cent stake in Telewest Communications, the UK's second biggest cable group. The purchase, from Southwestern Bell International will take its holding to 29.99 per cent.

The deal is the latest in a series of consolidation moves that have left Britain's once-fragmented cable television and telephony industry in the hands of half a dozen companies.

It leaves control of Telewest divided between MediaOne and three other companies: Tele-Communications Communications (21.6 per cent) Cox Communications (12 per cent) and Vivendi, the French telecoms and media group (6.3 per cent), which gained its interest after Telewest bought General Cable.

Combined with its move next week into the FTSE index, the deal is likely to make Telewest's position more secure in the face of rapid industry consolidation. There had been reports that Cable and Wireless Communications, the biggest cable group, had approached Southwestern.

However, Southwestern had agreed to give Tele-Communications or MediaOne first refusal. Tele-Communications is still considering whether to buy some of the shares being sold by Southwesternlf it did, it is understood Southwestern would also sell its remaining 1.3 per cent. Under the offer, MediaOne will buy up to 180m Telewest shares at $2.25 each. Telewest shares closed up 5½p at 143p.

It emerged in July that CWC had approached Southwestern Bell and Vivendi in the hope of forging closer links between them.

CWC was thought to be considering a range of options to strengthen ties with Telewest, including swapping local franchises or combining management of nearby franchises. As part of this, it is understood that CWC would have been interested in acquiring shares in Telewest.

Sales slump hits Time Products

By David Blackwell

Sales of bejewelled watches and clocks which take craftsmen two years to make have dried up, more than halving profits at Time Products.

The effects of economic turmoil in Asia and low oil prices in the Middle East also left the luxury goods distributor looking in vain for buyers prepared to pay about £1m for the Piaget sliding clock shown in its latest catalogue.

Time has been forced to make a first-half provision against stocks of similar items, and further provisions might be necessary before the end of the year.

"The strength of sterling has also hurt us very badly," said Marcus Margulies, chairman. "We have had to reduce prices for the first time in 30 years." Pre-tax profits for the six months to July 31 fell to £3.24m ($5.34m) from £9.91m last time when there was a property gain of £1.61m.

The fall was largely blamed on the setback in the UK luxury watch division, where watches cost more than £10,000.

Sales fell from £43.3m to £37m, underpinned by a strong performance from luxury watches in the US and Switzerland. The Judith Leiber luxury handbag division is moving into the black. Volume watch sales were flat, but profits were ahead after cost cuts at Limit and Sekonda.

Earnings per share fell from 12.43p to 4.51p. The interim dividend was cut from 4.9p to 3p. Shares fell 19p to 70½p yesterday.

Dorling Kindersley gives a warning to predators

By Cathy Newman

Peter Kindersley, executive chairman of Dorling Kindersley, the CD-Rom and book publisher, yesterday warned off predators, saying a takeover by a big corporation would not be beneficial.

Mr Kindersley, whose family owns more than 30 per cent of the shares directly or through trusts, said: "Size is not necessarily an advantage. We'd be swallowed up and we'd just be another line in a huge list of books."

The group announced pre-tax profits of £9m (£7.7m) for the year to June 30.

The company, which has announced a series of profit warnings and cost-cutting initiatives, said this year had been a "turning point". The cost base had been "significantly" reduced, and the books were being distributed more effectively.

The shares jumped 25p to close at 205p.

Dorling is talking to Amazon.com about developing a corner of the US internet bookseller's web-site to sell its products. Dorling is also selling via its own internet site.

Earlier in the year, Mr Kindersley gave up the dual role of chairman and chief executive, and appointed as chief executive James Middlehurst, formerly managing director of the PolyGram subsidiary, Britannia Music.

His brief was to make Dorling's products more easily available. A new finance director, David Houston, has also been recruited.

The strong pound and Asian economic turbulence continued to affect trading.

During the year, 250 staff left, 90 more than expected.

FOOD DISTRIBUTION GROUP HAS TO PUT ITS HOUSE IN ORDER TO RESTORE CONFIDENCE

Booker cast adrift as Budgens snubs merger

By David Blackwell and Peggy Hollinger

Budgens yesterday became the second supermarket group in less than a month to balk at a merger with Booker, the troubled food distributor.

The supermarket group said that while considerable potential synergies and benefits were expected, the board had decided against recommending a merger to its shareholders.

Budgens' statement follows Somerfield's decision to abandon talks last month.

Booker now appears to have little option but to sort out its problems and make a success of its dominating position in the UK cash and carry market.

It is understood that the talks with Budgens broke down over price. Both companies are still convinced of the potential annual savings from a merger, which one source estimated could have been as high as £30m-£40m ($50m-$67m).

But Booker's shares have fallen by 57 per cent in the last month, making it difficult to reach agreement on the level of the proposed no premium paper deal.

Jonathan Taylor, Booker chairman, said: "I don't think anyone found any financial of trading surprises," referring to both Budgens and Somerfield.

However, analysts suggested that due diligence proceedings had put the two suitors off. "There is no doubt that the group's finances are causing concern in the City of London, and that cannot be sorted out until the management is sorted out," said one.

Mr Taylor said that now the group was free of distractions it could concentrate on looking after its own business. This would include appointing a new chief executive "in weeks".

Last week the group reported that first-half profits before exceptionals had halved to £11m on sales of £2.29bn. It was expecting to sell its seeds and fish processing businesses in the second half, and the US chicken-breeding arm should follow early next year.

Budgens, which is 28 per cent owned by the German retail conglomerate Rewe, approached Booker about a potential merger in July but its proposals were rebuffed.

Budgens was invited back to the table when Booker's talks with Somerfield became public just a few weeks ago. However, it is understood that Budgens was unhappy about the publicity surrounding its discussions and made them appear more advanced than was apparently the case.

Britax ready for acquisitions

By Peter Marsh

Britax, the automotive components and car safety group, wants to spend up to £100m ($165m) over the next two years on acquisitions, after generating a 21 per cent increase in interim pre-tax profits.

Indicating an upbeat outlook amid a battered engineering sector, Richard Marton chief executive, said be was "cautiously confident" about the next year, even against the background of world financial turmoil.

The company – the world's biggest maker of car exterior mirrors outside Japan, and the biggest international supplier of lighting systems for emergency vehicles – announced pre-tax profits in the six months to June 30 of £26.8m.

Reflecting the sale of its interests in car retailing completed in April last year, sales were 18 per cent lower at £312.7m (£382.4m).

However, on the basis of continuing operations, turnover was 36 per cent higher at £259.8m (£191.4m). This partly reflects acquisitions, but also arises from organic growth of 12 per cent, the company said. Operating profit in continuing businesses, which include making luxury aircraft seats for Boeing and Airbus, rose 48 per cent to £26.2m (£17.6m).

In car mirrors, a new plant in Spain is being opened with another under consideration in Brazil.

Recently, Britax sold its vehicle leasing operations and also bolstered its position in equipment for emergency vehicles with the £75m purchase of US-based Public Safety Equipment.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Alumasc	Yr to Jun 30	166	(172)	9.89♠	(14.8)	17.9	(25.3)	6.05	Oct 30	6.05	8.5	8.5
Auto Precision	6 mths to Jun 30	13.2	(13.8)	0.28♠	(1.96)	0.5	(3.2)	0.3	Nov 2	1	-	2.1
Britax	6 mths to Jun 30	313	(382)	26.8	(22.2)	5.25	(4.5)	0.914大	Dec 31	0.85大	-	2.9大
Capital Corp	28 wks to Jul 12	31.8	(33.3)	5.01	(6.84)	3.18	(4.36)	1	Oct 16	2.125	-	5.125
Capital Ind	6 mths to Jun 30	49.2	(48.6)	1.48L♠	(3.47)	3.4L	(7)	1	Dec 4	2.85	-	6.1
Cassell	6 mths to Jun 30	9.61	(9.77)	0.409L	(0.42L♥)	6L	(6L)	1.5	Oct19	1.5	-	3
Compel	Yr to Jun 30	210	(112)	9.02	(5.06)	21.8†	(16.4)	4.2	Nov 4	3.8	6.9	5.4
Cortecs	Yr to Jun 30	7.9	(7.7)	18L	(11.7L)	11.5L	(7.9L)	-	-	-	-	-
Delta	6 mths to Jul 4	467	(448)	23.2	(33.1)	8.5	(13.6)	4.5大	Dec 1	4.5大	-	18大
Dentmaster Φ	Yr to Jun 30	6.8	(3.91)	0.666	(0.533)	0.38	(0.27)	0.116	-	0.09	0.116	0.09
Dixon Motors	6 mths to Jun 28	318	(174)	6.71	(4.01)	14.9†	(12.4)	3	Oct 16	2.5	-	7.5
Dorling Kindersley	Yr to Jun 30	184	(181)	9.01	(7.73♠)	8.1	(6.1)	3.1☆	Apr 6	3	4.6	4.5
Festrack	6 mths to Jun 30	10.74	(12.03)	0.07L	(0.47L♠)	0.1L†	(1.6L)	-	-	-	-	-
Freeport Leisure	Yr to Jun 27	8.04	(5.85)	2.81	(1.71)	10.63†	(5.65)	1	Jan 7	0.5	1	0.5
Hunting	6 mths to Jun 30	584	(717)	19.2♠	(20.9)	7	(8.7)	3大	Nov 17	3大	-	9.25大
Independent Radio Φ	6 mths to Jun 30	1.7	(1.69)	1.07L	(1.81L)	5.8L	(9.8L)	-	-	-	-	-
Jackson Group	6 mths to Jun 30	66.9	(45.2)	1.64	(1.61♥)	5.09	(4.75)	1.5	Nov 2	1.1	-	3.2
Mucklow (A&J)	Yr to Jun 30	-	(-)	13.36	(11.83)	10.61	(9.17)	4.026	Jan 4	3.67	7.53	7
Redrow	Yr to Jun 30	307	(255)	48.2	(36.1)	15.7	(11.4)	2.7	Nov 27	2.4	4.05	3.6
Reflex ♣	6 mths to Jun 30	1.63	(1.54)	0.206♥	(1.15L♠)	0.39	(2.77L)	-	-	-	-	nil
Servomex	6 mths to Jun 30	15.5	(16.4)	0.206	(0.813)	1.4	(5)	2.85	Oct 30	2.65	-	9.5
Time Products	6 mths to Jul 31	37	(43.3)	2.24	(9.91♥)	8.51	(12.43)	5	Jan 8	4.9	-	12.5
TT Group	6 mths to Jun 30	324	(295)	31.1	(27)	12.7†	(11.4)	3.69	Oct 29	3.22	-	8.70
United O'seas Grp★	6 mths to Jun 30	47.1	(41.5)	3.05	(2.65)	1.68†	(1.39)	0.43	Oct 26	0.38	-	1.14
Wetherspoon (JD)	Yr to Aug 2	189	(139)	35.13♥	(17.57)	17.5	(8.7)	1.45	Dec 2	1.32※	2.2	2※
Whitchurch	6 mths to June 30	18.8	(20.4)	0.859	(0.511)	2.2	(1.78)	0.5	Oct 30	nil	-	1

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Dartmoor	3 mths to Jul 31	171.1	(119.7)	1.8	(1.66)	3	(3.44)	3.25	Oct 30	3	-	12.8
Exeter Pref Cap	6 mths to Jul 31	305.8	(209.4)	0.8L	(0.358L)	3.43L	(1.53L)	-	-	-	-	nil
Mithras	6 mths to Jun 30	81	(86.6□)	2.53	(0.803)	8.3	(2)	2.1	Oct 30	1.6	-	3.7
Perpetual UK Small	6 mths to Jul 31	401	(323.7)	0.585	(0.611)	4.2	(4.4)	-	-	-	-	7
Prolific Income	Yr to Jul 31	163.5	(142.8)	2.39	(2.43)	4.57	(4.66)	2.73	-	3.6	4.515	4.3

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. 大Foreign income dividend. ☆Includes 0.1p one-off enhancement. ※Adjusted for 5-for-1 share split. □At December 31 1997. ★Comparatives pro forma ♣Irish currency.

Hunting beats expectations

By Susanna Voyle

Hunting, the oil services and defence group, yesterday showed that it was surviving the low oil price – and said it was ready to benefit when a recovery started.

Pre-tax profits for the six months to June 30 fell 8 per cent to £19.2m ($31.7m), but analysts said the results were slightly ahead of expectations, with the fall in world crude prices less damaging than feared. The shares closed up 2p at 186p.

The company – which has been shedding aviation businesses as part of a restructuring – provides marketing, pipeline, transport and terminal services. Its customers have been cutting back operations in the face of a global supply glut which has pushed oil prices down below $13 a barrel – against last year's average of $19.30.

The group was also hit by the strength of the Canadian dollar as most of its oil businesses are based in Canada. It hopes the oil price will be above $15 within 18 months.

Operating profit from oil activities fell 19 per cent to £12m on turnover down 27 per cent at £281m.

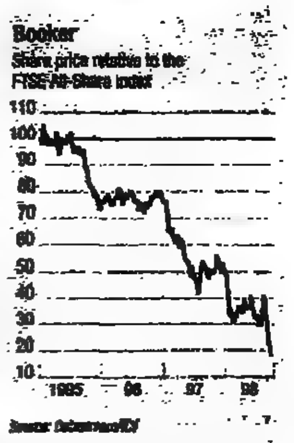
Richard Hunting, chairman, said the results were underpinned by a strong performance from the defence division, where operating profit was £13.2m (£11.3m) on turnover down almost 3 per cent to £246m.

Group turnover fell from £717m to £564m. A 24 per cent fall in the cost of sales, to £480m, helped operating profit rise from £25.1m to £25.8m.

There was an exceptional charge of £3.6m for losses on the disposal of aviation businesses and Hunting Technical Services.

COMMENT

Booker



Ditched at the altar twice, Booker cannot seem to get hitched. Somerfield and now Budgens have both concluded that a merger with the food distributor was not in their shareholders' interests, notwithstanding the considerable synergies available. With its shares in free-fall – underperforming the market 55 per cent since before the Somerfield talks were revealed – Booker is in crisis. Its most pressing need is to restore shareholder confidence that there are no financial black holes. Probably the best way of achieving this would be for the Stock Exchange to request a statement. If there is any material new information, Booker could divulge it. Otherwise it could say it knows no reason why its shares should have fallen to such an extent.

Debt levels, at more than 1½ times market capitalisation, also need to come down rapidly. Interest cover of less than two times is uncomfortably tight. Achieving a decent price for the various non-core food manufacturing businesses that have sensibly been put up for sale should be a start on this front. But to achieve all this, Booker needs to appoint a chief executive to fill its management void. In the absence of firm leadership, the loss of key staff will make Booker's underlying problems in its cash and carry business all the more intractable. One consolation for shareholders, however, is that Booker would be unlikely to remain independent for long if the share price fell much further. Third time lucky, perhaps.

GKN/Alvis

Wily Alvis has picked up GKN's armoured vehicles business on the cheap. Adding £15m net working capital liabilities to the £63m in Alvis shares received means GKN has sold out for less than half 1997 sales and under four times operating profits. And though sales are set to dip in the next few years, the business includes participation in the crucial MRAV battlefield taxi order.

GKN shareholders will enjoy the economic benefits of the merger – some £5m annual savings as well as improved prospects of winning orders in the UK and overseas – through their 29.9 per cent stake. But it would have been better to quit the business altogether. Building up core growth areas in pallets and powder metallurgy would be preferable to sitting on such a passive stake.

Restructured Delta slips to £23m

By Michael Peel

Delta, the electrical and engineering services group, said it was starting to see benefits from its extensive restructuring despite a fall in interim pre-tax profits from £33.1m to £23.2m ($38m).

Analysts downgraded their profits forecasts for this year and next after the group revealed it would incur restructuring costs of £4m in both 1998 and 1999. The group said the changes would eventually yield annual savings of £8m.

Jon Scott-Maxwell, chief executive, instituted a three-year restructuring programme after he joined the group in December 1996. He wanted the group to focus on four areas – electrical protection, such as switchgear and circuit-breakers, galvanising, plumbing products and the manufacture of manganese products for batteries.

Delta said its underlying performance and the effect of restructuring had been obscured by the strength of the pound and the economic problems in Asia, which had depressed profits for the half-year to July 4 by £10.5m.

Mr Scott-Maxwell said the industrial services division, had shown good improvement after the group changed the management and invested in new plants. Its pre-tax profits rose 44 per cent to £14m.

صكنا من الاجل

EQUITIES

G7 intervention doubts raised

EUROPEAN OVERVIEW

By Philip Coggan, Markets Editor

European equity markets lost ground yesterday as doubts emerged about the likelihood of concerted G7 action to cut interest rates and avert a global recession.

Hans Tietmeyer, the Bundesbank president, said yesterday that Monday's G7 statement should not be seen as a prelude to concerted rate cuts and that there was no reason for European rates to be reduced.

However, investors were far from despondent and bourses held on to the majority of Monday's healthy gains, with Paris down only 0.3 per cent.

The FTSE Eurotop 100 index fell 16.92 or 0.7 per cent to 2,460.07, while the broader Eurotop 300 index dropped 8.73 to 1,069.36. The *FTSE Ebloc 100 index*, comprising stocks in countries which plan to join the single currency, dipped 5.95 to 887.94.

The best performing sector was extractive industries, which jumped 3.9 per cent. Rio Tinto gained Ecu 0.40 to Ecu 9.84, with the help of reported buying interest from the US and share buyback activity.

But that was one of the few sectors to be up on the day. Breweries, pubs and restaurants fell 3.6 per cent, with Whitbread dropping sharply in the last few minutes of trading to be down Ecu 0.90 at Ecu 11.11.

The healthcare sector was another to fall more than 3 per cent, thanks to the volatile Nycomed Amersham, down Ecu 0.20 at Ecu 5.43.

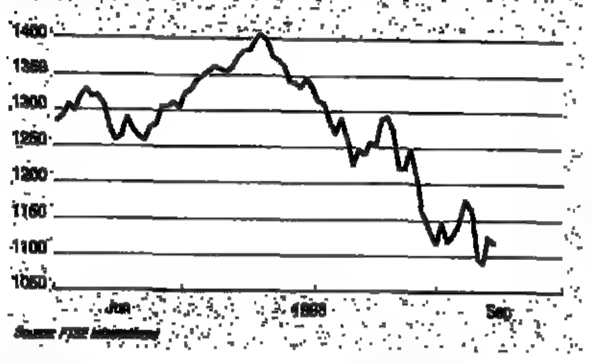
The engineering sector was hit by disappointing profits from Michelin, the French tyre group, where the shares fell Ecu 4.40 to Ecu 37.46.

In pharmaceuticals, Rhône-Poulenc fell Ecu 3.40 to Ecu 37.41 on problems with the group's US joint venture Centeon.

Meanwhile Credit Suisse First Boston warned that recent dollar weakness could be bad news for European bourses. "The long phase of dollar strength and D-Mark weakness has been a key driver of earnings momentum in continental European markets.

"If the prevailing dollar/D-Mark rate is sustained, we believe there is a significant risk analysts will move into a downgrading mode in the months ahead."

FTSE Eurotop 300 Eurobloc



Source: FTSE International

THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Nov		95.900	+0.050			0	0
Mar		96.540	+0.015			0	5209
Jun		96.515	+0.015			0	2021
Sep		96.490	+0.015			0	1333

THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
96500	0.015	[illegible]	0.070	0.190	0.125	0.145	0.180	0.150
96525	0.005		[illegible]		0.240		0.270	

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	2440.0	2455.0	-15.0	2455.0	2440.0	55	2782
Dec	2477.0	2477.0	-18.0	[illegible]	2477.0	[illegible]	2805
Mar		2488.5	-18.0			0	117

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

	2425 C	2425 P	2450 C	2450 P	2475 C	2475 P	2500 C	2500 P	2525 C	2525 P	2550 C	2550 P	2575 C	2575 P	2600 C	2600 P
Sep	[illegible]	[illegible]	[illegible]	30	20	40	10	65	13	83	8	105	6	129	4	152
Oct	142	100	126	113	112	124	98	136	[illegible]	[illegible]	73	160	[illegible]	175	[illegible]	191

Est vol total12. Prev day's open interest total 7,470. Premiums shown are based on settlement prices.

OTHER INDICES

	Sep 15	Sep 14	Sep 11	1998 High	1998 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	2865.30	2869.40	2800.25	3670.82	2874.51	3670.82	2909.28
DJ Euro Stx 50	2847.01	2888.55	2890.85	3658.48	2466.81	3658.48	2865.52
MSCI Europe	(u)	1078.26	1048.66	1315.55	960.50	1316.65	610.76

Source: Datastream/FT Information. *Subject to revision next day. (u) unavailable.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

September 15 National & Regional Markets	Ecu index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	1069.36	-0.81	-8.73	2.66	22.78	1098.28
FTSE Eurotop 100	2460.07	-0.68	-16.92	2.62	34.08	879.63
FTSE Ebloc 100	887.94	-0.67	-5.95	2.27	14.08	900.35
FTSE Eurotop 300 Regions						
Eurobloc	1119.24	-0.65	-7.86	2.31	20.54	1142.05
UK	991.67	-0.81	-8.14	3.24	29.32	1034.89
Europe Ex-Eurobloc	1029.38	-0.95	-9.83	3.02	24.00	1061.69
Europe Ex-UK	1114.27	-0.81	-9.07	2.37	18.11	1134.23
FTSE Eurotop Industry Sectors						
RESOURCES	859.93	-0.67	-5.78	3.38	25.41	885.24
Extractive Industries	737.98	+3.90	+27.68	4.73	6.64	745.27
Oil, Integrated	832.48	-0.84	-7.08	3.31	18.25	849.04
Oil Exploration & Prod	613.46	-1.89	-11.80	5.46	11.69	626.28
GENERAL INDUSTRIES	1005.57	-1.28	-13.00	2.80	19.53	1024.98
Construction	919.25	+0.52	+4.79	2.77	11.08	929.94
Building Matls & Merchs	820.64	-1.00	-8.33	3.20	8.05	826.75
Chemicals	817.39	-0.53	-4.38	2.88	16.67	831.22
Diversified Industrials	909.62	-0.18	-1.67	2.41	17.48	925.22
Electronic & Elect Equip	869.74	-1.85	-16.40	1.94	4.89	873.94
Engineering	853.59	-2.10	-18.34	3.94	9.67	861.57
Paper, Pckg & Printing	744.41	-0.70	-5.25	3.15	1.21	745.34
CONSUMER GOODS	1084.43	-0.91	-9.81	1.89	15.87	1111.14
Automobiles	878.72	-1.37	-12.21	2.98	10.25	886.87
Alcoholic Beverages	820.00	-0.77	-6.39	2.68	6.48	825.61
Food Producers	883.85	-1.50	-13.48	1.82	9.79	892.32
Household Goods & Texts	934.77	-2.58	-24.82	2.08	7.01	940.67
Healthcare	869.80	-3.28	-28.85	1.38	9.62	858.34
Pharmaceuticals	975.48	-0.43	-4.28	1.33	4.81	980.27
Tobacco	1113.21	-0.98	-11.05	3.94	1.81	1115.30
SERVICES	1123.28	-0.24	-2.70	2.34	21.15	1152.89
Distribution	741.17	+1.08	+7.95	2.99	11.37	749.80
Leisure & Hotels	720.89	-2.22	-16.33	3.47	12.27	730.12
Media	950.08	-1.30	-12.61	2.44	9.83	959.11
Retailers, Food	995.46	-0.62	-6.25	2.99	11.37	1008.00
Retailers, General	995.81	-0.28	-2.84	3.45	18.53	1011.83
Telecommunications	1019.58	+0.78	+7.94	1.92	13.02	1031.97
Breweries, Pubs & Rests	776.97	-3.83	-30.27	3.47	14.20	788.75
Support Services	911.42	-1.25	-11.56	1.84	6.84	917.80
Transport	908.90	-0.80	-7.27	2.89	15.00	920.39
Information Technology	1152.53	+0.08	+0.87	0.36	2.23	1155.16
UTILITIES	1378.60	-0.63	-8.72	3.19	53.32	1403.21
Electricity	1033.87	-1.08	-11.25	3.39	26.23	1061.48
Gas Distribution	1094.14	+0.68	+7.44	1.86	84.81	1194.91
Water	1069.02	-0.58	-6.14	4.81	36.72	1098.48
FINANCIALS	1084.26	-0.89	-9.79	3.12	26.45	1112.31
Banks, Retail	749.58	-0.73	-5.49	4.09	12.59	758.20
Insurance	840.08	-1.08	-8.90	1.85	11.45	849.89
Life Insurance	991.07	-0.98	-9.84	1.70	9.10	999.59
Other Financial	784.34	-1.42	-11.04	2.88	14.08	775.13
Investment Companies	864.81	-1.94	-17.15	2.99	20.88	880.77
Property	772.76	-2.72	-21.58	3.43	18.01	789.58

Further information is available on http://www.ftse.com. © FTSE International Limited 1998. All rights reserved. "FTSE" and "Footsie" are registered trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International.

CURRENCIES & MONEY

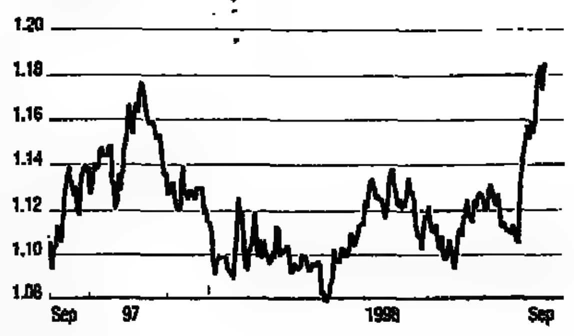
FT SYNTHETIC EURO RATES

Sep 15	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.0097100	-0.0003	+0.00	-0.0012	-0.01
Belgium	BEF	41.220298	-0.0103	-0.02	-0.0167	-0.04
Czech Republic	CZK	35.997434	+0.1583	+0.44	+0.8084	+2.30
Denmark	DKK	7.621390	+0.0142	+0.19	-0.0036	-0.05
Finland	FIM	6.083973	[illegible]	-0.01	+0.0051	+0.08
France	FRF	6.699683	+0.0002	+0.00	-0.0017	-0.03
Germany	DEM	1.998179	-0.0001	-0.01	-0.0002	-0.01
Greece	GRD	343.196502	+0.5804	+0.17	+1.5231	+0.45
Hungary	HUF	259.538283	+0.8617	+0.33	+2.8047	+1.13
Ireland	IEP	0.798324	-0.0001	[illegible]	+0.0011	+0.14
Italy	ITL	1973.720418	+0.4285	[illegible]	+0.8028	+0.04
Luxembourg	LUF	41.220298	[illegible]	-0.02	-0.0167	-0.04
Netherlands	NLG	2.253430	-0.0004	-0.02	-0.0018	-0.08
Norway	NOK	8.911975	+0.0242	+0.27	-0.0560	-0.62
Poland	PLN	4.243318	+0.0352	+0.84	+0.0809	+1.94
Portugal	PTE	204.780822	-0.0235	-0.01	+0.2387	+0.12
Romania	ROL	10731.183116	+97.9472	+0.92	+277.4530	+2.65
Russia	RUB	13.029030	+2.9971	+29.88	-11.9363	-47.81
Slovakia	SKK	41.132649	+0.1649	+0.40	+0.3868	+0.95
Spain	ESP	169.703119	[illegible]	+0.00	+0.0684	+0.04
Sweden	SEK	9.174698	-0.0673	-0.73	-0.0155	-0.17
Switzerland	CHF	1.649831	+0.0021	+0.13	+0.0129	+0.79
United Kingdom	GBP	0.707713	+0.0079	+1.14	+0.0103	+1.48
ECU	ECU	1.017567	+0.0008	+0.08	+0.0019	+0.19
Americas						
Brazil	BRL	1.396238	+0.0121	+0.87	+0.0371	+2.73
Canada	CAD	1.781661	+0.0040	+0.22	+0.0167	+0.95
Mexico	MXN	12.000000	-0.2676	-2.17	+0.2729	+2.31
United States	USD	1.184457	+0.0111	+0.95	+0.0287	+2.48
Pacific/Middle East/Africa						
Australia	AUD	1.985922	+0.0171	+0.88	+0.0301	+1.53
Hong Kong	HKD	9.176346	+0.0884	+0.97	+0.2187	+2.45
Japan	JPY	157.242629	+1.1262	+0.72	+4.3604	+2.85
Singapore	SGD	2.042597	+0.0081	+0.40	+0.0472	+2.37
South Africa	ZAR	7.284412	-0.0195	-0.27	+0.0809	+1.12

Source: FTSE International Ltd.This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3364, FRF 0.2217, ITL 0.1823, NLG 0.0577, BEF 0.0385, ESP 0.0848, IEP 0.0116, PTE 0.0155, ATS 0.0328, FIM 0.0187.

Synthetic Euro against the dollar

$ per euro



Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

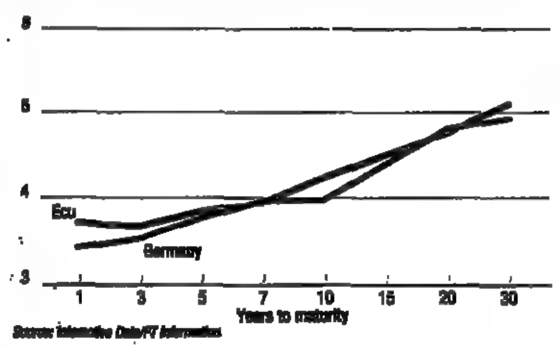
Sep 15	Fixed rate	Market rate	Diff fxd v mkt %	Week ago %	Forward rate	Forward int rate	Diff int rates v DEM
Austria	7.03552	7.0355	+0.01	+0.01	7.0378	3.54	+0.06
Belgium	20.6255	20.6289	+0.02	+0.05	20.6289	3.48	+0.00
France	3.35386	3.353	-0.03	-0.01	3.3534	3.52	+0.04
Finland	3.04001	3.0445	+0.15	+0.05	3.0449	3.53	-0.05
Ireland	0.402676	0.3995	-0.79	-0.92	0.4017	5.37	+1.89
Italy	990.002	987.7593	-0.23	-0.28	991.7579	[illegible]	+1.33
Luxembourg	20.6255	20.6289	+0.02	+0.05	20.6289	3.49	+0.00
Netherlands	1.12674	1.1277	+0.09	+0.16	1.1274	3.39	-0.09
Portugal	102.505	102.4837	-0.02	-0.15	102.669	4.1	+0.62
Spain	85.0722	84.9289	-0.17	-0.22	85.112	4.22	+0.74
Germany	1		+0.00	+0.00		3.48	+0.00

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3, forward rates are exchange rates to 31/12/98 interpolated from market quotes; forward interest rates are those implied by these forward exchange rates; Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98; DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

BONDS

Bond yield curve

Per cent (September 15 1998)



Source: Interactive Data/FT Information

GOVERNMENT BOND SPREADS vs ECU

Sep 15	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"Ins"						
Austria	-0.03	+0.06	+0.24	+0.02	-0.28	+0.13
Belgium	-0.10	+0.00	+0.14	+0.11	+0.11	+0.02
Finland	-0.17	+0.06	+0.18	+0.17	-0.38	-0.70
France	-0.13	-0.10	-0.08	-0.05	-0.05	-0.16
Germany	-0.18	-0.06	+0.02	-0.28	+0.05	-0.18
Ireland	+0.53	-0.16	+0.02	+0.16	+0.26	+0.55
Italy	+0.32	+0.25	+0.31	+0.25	+0.23	+0.28
Luxembourg	-0.10	+0.00	+0.14	+0.11	+0.11	+0.02
Netherlands	-0.12	-0.03	-0.05	-0.09	+0.02	-0.15
Portugal	-0.01	+0.17	+0.22	+0.21	+0.49	+0.32
Spain	-0.06	+0.09	+0.21	+0.20	+0.22	+0.26
"Outs"						
Denmark	+0.72	+0.62	+0.58	+0.40	+0.28	+0.35
Greece	+5.29	+5.05	+4.84	+4.00	+2.95	+2.62
Sweden	+0.57	+0.59	+0.54	+0.48	+0.43	+0.09
UK	+2.20	+1.48	+1.33	+0.77	+0.34	-0.23

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CORPORATE BONDS

Sep 15	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible Issues								
Belgium (Kingdom of)	03/08	5.750	N/A	111.000	4.31	-0.05	-0.41	+0.07
France (Rep of)	04/08	5.250	N/A	108.470	4.16	-0.04	-0.42	-0.08
Italy (Rep of)	05/08	5.000	AA	104.420	4.43	-0.03	-0.29	+0.19
Portugal (Rep of)	06/08	5.375	AA-	107.880	4.40	-0.04	-0.33	+0.16
Euro Issues								
Abbey Natl Treas Srv	02/03	4.875	AA	103.514	3.98	-0.05	-0.33	+0.11
Gen Electric Cap Crp	10/04	5.500	AAA	107.840	4.01	-0.05	-0.42	+0.15
Oest Kontrollbank	04/08	5.250	AAA	106.130	4.45	-0.02	-0.25	+0.27
Cred Local de France	04/08	5.250	AA+	104.780	4.62	-0.04	-0.22	+0.38
Ecu Issues								
Bayer Hypo & Wch Bk	07/01	8.000	AA-	102.885	3.89	-0.02	-0.36	+0.21
Cred Foncier France	03/04	8.375	A	118.408	4.51	-0.03	-0.45	+0.65
Euro Inv Bank	04/04	5.250	AAA	105.770	3.87	-0.03	-0.39	+0.01
ABN Amro Hldg. NV	04/07	6.375	AA-	110.274	4.66	-0.04	-0.12	+0.72

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Emu "in" sovereigns and fungible into one big Euro issue 1/1/99; Euro issues are issued in the new currency. Ecu bonds are issued in Ecus but convert to Euros 1/1/99.

EUROZONE CREDIT SPREADS vs ECU

Sep 15	S & P rating	Red date	Coupon	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/08	5.000	DEM	+0.00	+0.02	+0.04
France Telecom	AA+	11/08	8.250	FRF	+0.19	+0.17	+0.14
Halifax	AA	07/07	5.625	DEM	+0.39	+0.22	+0.25
Ing Bank NV	AA-	01/08	5.500	NLG	+0.16	+0.25	+0.19
Bayer Hypo W Bk	AA-	02/02	6.750	ITL	+0.31	+0.29	+0.33
Cred Foncier	A	02/03	7.250	DEM	+0.66	+0.47	+0.32
Thomson-Brandt Int	A-	03/04	6.375	FRF	+0.40	+0.40	+0.42
Generale des Eaux	BBB+	03/04	6.250	FRF	+0.34	+0.34	+0.33
Bank of China	BBB	07/99	7.125	DEM	+2.78	+3.52	+1.44
Natl Bk of Hungary	BBB-	06/01	9.000	ATS	+1.88	+0.94	+0.75
Korea Dev Bank	BB+	11/02	5.625	FRF	+10.12	+9.20	+6.31
Argentina	BB	04/06	8.125	XEU	+9.23	+7.73	+3.57

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

FTSE EUROTOP 300

Name	Price (Ecu)	Chge + or -	Mkt cap Ecu(m)	Vol (m)	Yld
[illegible]					

ALCOHOLIC BEVERAGES · AUTOMOBILES · BANKS RETAIL · BREWERIES, PUBS & RESTAURANTS · BUILDING MATERIALS & MERCHANTS · CHEMICALS · CONSTRUCTION · DISTRIBUTORS · DIVERSIFIED INDUSTRIALS · ELECTRICITY · ELECTRONIC & ELECTRICAL EQPT. · ENGINEERING · EXTRACTIVE INDUSTRIES · FOOD PRODUCERS · GAS DISTRIBUTION · HEALTH CARE · HOUSEHOLD GOODS & TEXTILES · INFORMATION TECHNOLOGY · INSURANCE · INVESTMENT COMPANIES · LEISURE & HOTELS · LIFE INSURANCE · MEDIA · OIL, EXPLORATION & PRODUCTION · OIL, INTEGRATED · OTHER FINANCIAL · PAPER, PACKAGING & PRINTING · PHARMACEUTICALS · PROPERTY · RETAILERS, FOOD · RETAILERS, GENERAL · SUPPORT SERVICES · TELECOMMUNICATIONS · TOBACCO · TRANSPORT · WATER

Notes: Prices, data and market capitalisations supplied by FTSE International. [illegible]

August inflation figures help gilts

GOVERNMENT BONDS

By Khozem Merchant and Edward Luce in London and John Labate in New York

UK gilts rallied on the back of overnight comments from the Group of Seven industrialised countries indicating the possibility of a co-ordinated strategy of interest rate cuts, and the release in the morning of better than forecast UK inflation figures for August.

Underlying the strengthening in gilts was the continuing global economic gloom, which favours the bond market's status as a safe haven.

The December future contract in the 10-year gilt closed 0.46 points higher at 114.03. The yield on 10-year gilts was 5.13 per cent in late afternoon trading, with the spread to bunds at 120 basis points down from 123 points on Monday. Nearly 57,000 contracts were traded, more than double the previous day's total.

UK inflation fell in August with the underlying rate hitting the government's target of 2.5 per cent for the first time since January.

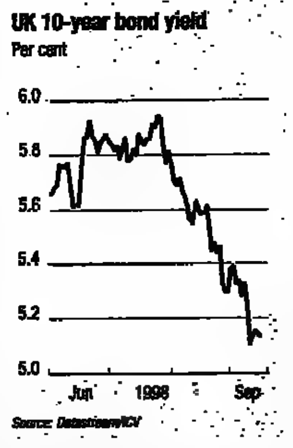
Coming on top of recent economic data, such as the Confederation of British Industry's distributive trades survey last week, which reported a slippage in retail optimism, the RPI data was seen as a boost for gilts.

Eddie George, governor of the Bank of England, failed to impress the markets in a speech to the Trades Union Congress annual conference in which he played down the likelihood of the UK slipping into recession.

Mr George's attempt to play down expectations of a cut in short-term interest rates clearly failed to convince the markets, said James Mitchell, senior strategist at Nomura.

The 10-year bund was outshone by its UK counterpart yesterday in a relatively stable trading session. Nevertheless, comments by Hans Tietmeyer, president of the Bundesbank, pouring cold water on expectations of a co-ordinated interest rate cut by the G7 central banks, did little to damp demand for bunds.

UK 10-year bond yield



Source: Datastream/ICV

The December futures contract rose by 0.28 points to close at 113.70 in Frankfurt with volume of almost 500,000 contracts.

Alison Cottrell, international economist at PaineWebber, said the market had eyes only for the testimony by Alan Greenspan before the US Congress today.

Mr Greenspan is expected to give a clear indication of the US Federal Reserve's likely response to the global markets turmoil. The forward markets have already priced in a reduction in the US Fed funds rate before December.

"There are very few economic events in the near future that will divert the market's attention from what the policy-makers are saying in Washington," Ms Cottrell said.

The German Ifo survey of business confidence, which is published later this week, is unlikely to have much impact on sentiment, she added.

US TREASURIES were little changed after the release of new retail sales figures.

By early afternoon the 30-year Treasury, the benchmark for long-term interest rates, was unchanged at 104, yielding 5.234 per cent.

Treasury bills fell back, but shorter-term notes were generally a little higher. The 10-year note was up $\frac{1}{32}$ to 105⅞, yielding 4.855 per cent while the two-year note was $\frac{1}{32}$ higher at $100\frac{13}{32}$, yielding 4.684 per cent.

Although prices remain close to historic highs, traders say trading has eased, although it remains range-bound.

"The market has changed quiet a bit," said Ken Fan, US bond strategist at Paribas Capital Markets. "Now you're seeing better sellers at the highs instead of buyers on the dips."

In a busy week for new economic releases, retail sales for August were shown to have risen 0.2 per cent, while the July figure was revised to a 0.6 per cent decline.

Data on consumer prices and industrial production are due to be released later this week.

Moody's lowers rating on Romania

By Stefan Wagstyl, East Europe Editor

Moody's, the US credit rating agency, has downgraded Romanian external debt because of concern about the recession-hit country's economic performance.

The agency cut the ceiling for Romanian foreign currency bonds and notes from Ba3 to B1.

Moody's said Romania would need to raise $4bn overseas next year, which could prove difficult given the current international financial environment and the absence of an International Monetary Fund agreement for Bucharest.

Political arguments were holding up economic reform, including privatisation, while recession was harming the country's ability to generate foreign exchange, the agency said.

In 1997, a $1.2bn inflow of foreign direct investment financed nearly half the country's $2.4bn current account deficit.

This year, the deficit had grown to a forecast $2.5bn-$2.9bn, but direct investment inflows were below $500m and portfolio investment was negligible, said Moody's.

However, the proposed sale of 35 per cent of Rom Telecom, the telecommunications utility, to a foreign investor would partly alleviate the problem.

Meanwhile, the last IMF stand-by agreement expired in May with only $170m of $410m disbursed – the fifth stand-by loan to end prematurely because of a failure to implement reforms.

The government had to devise comprehensive reform plans before the IMF could start another programme, said Moody's.

EURO-ZONE BID FOR BENCHMARK STATUS

France issues bond linked to inflation

By Khozem Merchant

France yesterday became the first euro-zone country to issue inflation-linked bonds, in the country's latest attempt to put itself forward as the benchmark issuer after European monetary union.

The 10-year FFr24bn bond equals Italy's 10-year benchmark bond as the largest euro-denominated transaction this year. Known as an OATi, the French deal was lead-managed by Barclays Capital, BNP and SG, and priced to yield 2.98 per cent – at the lower end of the indicated range. Strong demand had pushed the yield down to 2.94 per cent by late yesterday, analysts said.

Domestic investors accounted for 80 per cent of distribution, the French ministry of finance said. Pension houses and insurance groups from the UK and continental Europe led the way among non-French subscribers.

The OATi issue underlines France's determination to become the benchmark issuer in the euro-zone, which comes into being next January, by offering investors a wide and sophisticated range of securities. Two years ago it unveiled the Tec-10, a long-term issue paying floating-rate coupons based on the 10-year OAT bond. The OATi issue will be redenominated into an E4.0bn issue on January 4.

Analysts said yesterday's issue could help lower France's cost of borrowing. By buying inflation-indexed bonds, investors would no longer require a premium to hedge against the risk of unexpected inflation.

As well as introducing a choice of different types of government bond, France has also led the way in developing the auction process and launching a system of primary dealers.

The OATi will form only a tiny fraction of France's tradable debt, which amounts to FFr3,200bn. But analysts said the more crucial factor was its share of total annual bond issuance. Gross French government bond supply is likely to total FFr590bn in 1998 and the OATi component "will form a limited part of our debt", the French Treasury said. Analysts said the figure would be 5 per cent to 8 per cent, at FFr30bn to FFr50bn.

French officials said the strong investor response would lead to a first auction before the year-end, probably in November.

In the UK, which is outside the first wave of countries joining the single European currency, inflation-linked bonds account for 30 per cent of gross funding requirements for the 12 months ending March 1999.

In the US, the share is 6.7 per cent, while in Sweden, which is also opting out of the first wave of Emu, the proportion is 40 per cent.

The positive investor response is likely to encourage several other euro-zone countries to issue inflation-linked bonds. Germany is considering doing so, as are Italy and the Netherlands.

See Lex

Add-ons meet strong demand

INTERNATIONAL BONDS

By Vincent Boland

International new issuance came back to life yesterday in a cautious market, with investors only willing to consider supporting triple-A borrowers in current conditions.

A notable result of the market climate is the trend among issuers to add liquidity to existing bonds through add-ons, which were a feature of yesterday's activity.

"It is very difficult to bring a big new issue in this market; add-ons tend to be better received," a bond syndicate banker said.

The TENNESSEE VALLEY AUTHORITY, the big US power agency, was a case in point. It provided the day's most liquid issue with a $500m add-on to the $1bn, 15-year bond it launched last March. That was the AAA-rated TVA's first global issue since 1995, and was brought to the market at 45 basis points over the 10-year US Treasury.

The new tranche had a re-offer price of 69 to 70 basis points over the Treasury, the trading level of the original issue in the market. About one-third of the issue was bought by European investors, some of which were buyers of the original deal coming back to top up their holdings.

A banker at Lehman Brothers, lead manager, said there were two themes in the market: "There is continued demand for AAA-rated borrowers – they seem to be the only issues that are working in the current climate. And investors continue to look for longer-dated assets."

The WORLD BANK also returned to the market to reopen its $2bn 10-year benchmark issue with an additional $300m tranche priced to yield 44 basis points more than the corresponding US Treasury. The original issue was priced at 23 basis points over.

One borrower that could bring a new global issue is Deutsche Ausgleichsbank, a state-backed German bank. Roadshows are under way for the expected $1bn deal, which bankers said could be priced at about 60 basis points over the comparable US Treasury. Lead managers are Lehman Brothers and Salomon Smith Barney.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Tennessee Valley Auth(a)	500	6.00#	104.1286	Mar 2013	0.2875	-	Lehman Brothers
World Bank(f)	300	5.75	102.896R	Feb 2008	0.325R	+44(5⅝%May08)	ABN Amro/Goldman
Centex HELT, 98-3(b)★	240	-	-	-	-	-	Lehman Brothers
FRENCH FRANCS							
Republic of France(c)	24bn	3.00	100.177R	Jul 2009	0.35R	-	BNP/Barclays/SG
KfW International Finance	2bn	4.375	99.90R	Oct 2008	0.325R	+23§	CDC Marchés
ITALIAN LIRE							
World Bank(d)‡	100bn	(d1)	99.80R	Sep 2018	0.50R	-	BNL/CSFB

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Fungible with $1bn. Plus 13 days accrued. b) Home Equity Loan Trust. 7-tranche asset backed. c) Linked to French CPI. Plus 66 days accrued. d) Callable annually from 29/9/05 at par. d1) 12% in yr 1, 7¼% in yr 2, 6% in yr 3-4, 6% or inverse coupon (issuers option) in yrs 5-7, then 14½% - 2 x 12-mth Libor. f) Fungible with $2bn. Plus 222 days accrued. § Over interpolated yield.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Sep 15	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	108.3462	4.88	-0.04	-0.22	-0.37	+0.15
	08/08	8.750	125.3167	5.30	-0.04	-0.18	-0.28	-0.96
Austria	07/00	8.875	103.8500	3.63	-	-0.09	-0.32	-0.63
	01/08	6.000	105.3500	4.28	-0.04	-0.20	-0.38	-1.38
Belgium	01/00	4.000	100.5000	3.52	-0.08	-0.10	-0.31	-0.90
	03/08	5.750	111.0000	4.31	-0.08	-0.22	-0.41	-1.42
Canada	03/00	5.000	99.7800	5.16	-0.02	-0.33	-0.11	+1.16
	06/08	6.000	105.4400	5.27	-0.02	-0.24	-0.28	-0.66
Denmark	11/00	9.000	109.2400	4.39	+0.02	-0.08	+0.13	-0.27
	11/07	7.000	117.3800	4.62	-0.01	-0.18	-0.18	-1.52
Finland	01/99	11.000	102.4038	3.04	-0.03	-0.23	-0.42	-0.93
	04/08	6.000	112.2840	4.40	-0.08	-0.24	-0.28	-1.49
France	01/00	4.000	100.6100	3.50	-0.02	-0.09	-0.28	-0.66
	04/05	7.500	121.0000	3.83	-0.03	-0.23	-0.47	-1.38
	04/08	5.250	108.4700	4.16	-0.04	-0.22	-0.42	-1.38
	04/29	5.500	106.4800	4.96	-0.08	-0.14	-0.22	-1.25
Germany	03/00	4.000	100.8900	3.38	-0.07	-0.12	-0.32	-0.80
	10/05	6.500	115.3500	3.86	-0.04	-0.19	-0.44	-1.29
	01/08	5.250	109.3100	4.03	-0.04	-0.23	-0.47	-1.61
	01/28	5.625	110.8100	4.93	-0.04	-0.13	-0.21	-1.36
Ireland	10/01	6.500	107.4700	3.69	-0.01	-0.24	-0.45	-1.66
	08/08	6.000	112.7000	4.39	-0.04	-0.22	-0.38	-1.56
Italy	04/01	4.500	101.4800	3.87	+0.01	-0.16	-0.39	-1.61
	05/03	4.750	102.9600	4.03	-	-0.17	-0.41	-1.69
	05/08	5.000	104.4100	4.42	-0.03	-0.22	-0.34	-1.84
	11/27	6.500	118.1200	5.27	-0.03	-0.07	-0.08	-1.63
Japan	03/00	6.400	109.2400	0.30	-0.02	-0.17	-0.27	-0.29
	06/03	4.500	118.2400	0.58	-0.01	-0.22	-0.35	-0.92
	09/05	3.000	114.7400	0.83	-	-0.28	-0.40	-1.22
	03/18	2.700	119.2700	1.55	-	-0.35	-0.53	-1.21
Netherlands	05/00	9.000	108.6400	[illegible]	-	-0.10	-0.36	-0.86
	07/08	5.250	108.7100	4.15	-0.05	-0.24	-0.46	-1.42
New Zealand	02/01	8.000	104.5549	5.86	+0.03	-0.20	-0.60	-1.23
	11/06	8.000	112.4010	6.05	-	-0.20	-0.22	-0.98
Norway	01/99	9.000	100.2600	7.80	+0.07	+0.13	+2.16	+3.28
	01/07	5.750	108.6000	5.40	+0.03	-0.13	+0.13	-0.50
Portugal	03/00	5.375	102.5800	3.57	+0.02	-0.15	-0.51	-1.55
	06/08	5.375	107.2200	4.44	-0.03	-0.21	-0.37	-1.74
Spain	04/00	6.750	104.6800	3.61	-0.01	-0.09	-0.42	-1.38
	01/08	6.000	111.6800	4.42	-0.03	-0.21	-0.33	-1.66
Sweden	05/00	10.250	109.2470	4.19	-0.05	-0.11	-0.05	-0.67
	05/08	6.500	113.8140	4.70	-0.03	-0.20	-0.09	-1.81
Switzerland	03/00	5.000	104.9600	1.56	-0.04	-0.05	-0.39	-0.17
	06/07	4.500	113.8500	2.69	-0.02	-0.10	-0.09	-0.88
UK	11/01	7.000	103.5625	5.74	-0.07	-0.31	-0.59	-1.10
	12/03	6.500	105.3125	5.32	-0.06	-0.29	-0.55	-1.55
	12/07	7.250	115.6503	5.10	-0.06	-0.23	-0.50	-1.76
	12/28	6.000	117.5625	4.88	-0.07	-0.19	-0.46	-1.83
US	05/00	5.500	101.2077	4.74	-0.04	-0.23	-0.62	-1.17
	05/03	5.500	103.2097	4.71	-0.03	-0.27	-0.69	-1.54
	05/08	5.625	105.9532	4.84	-0.02	-0.20	-0.55	-1.44
	11/27	6.125	111.8479	5.32	-	-0.09	-0.28	-1.25
ECU	07/00	4.000	100.5700	3.66	-0.02	-0.16	-0.33	-0.80
	04/08	5.250	108.0000	4.22	-0.03	-0.22	-0.39	-1.64

London closing. *New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Sep 15	Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.29	+1.31	+0.45
Austria	4.28	+0.28	-0.58
Belgium	4.35	+0.37	-0.49
Canada	5.27	+1.29	+0.43
Denmark	4.64	+0.66	-0.20
Finland	4.41	+0.43	-0.43
France	4.18	+0.20	-0.66
Germany	3.98	-	-0.86
Ireland	4.40	+0.42	-0.44
Italy	4.50	+0.52	-0.34
Japan	1.01	-2.97	-3.83
Netherlands	4.15	+0.17	-0.69
New Zealand	6.05	+2.07	+1.21
Norway	5.36	+1.38	+0.52
Portugal	4.45	+0.47	-0.39
Spain	4.53	+0.55	-0.31
Sweden	4.72	+0.74	-0.12
Switzerland	2.90	-1.08	-1.94
UK	5.01	+1.03	+0.17
US	4.84	+0.86	-
ECU	4.24	+0.26	-0.60

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Sep 15	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB-	94.0156	9.06	-0.96	+1.16	+4.43
Poland	07/04	7.125	BBB-	93.3503	[illegible]	-0.23	+2.27	+3.96
Russia	06/07	10.000	CCC	20.0000	0.00	-49.24	-27.03	-4.79
LATIN AMERICA								
Argentina	09/27	9.750	BB	70.0000	14.06	-1.31	+3.29	+8.85
Brazil	05/27	10.125	BB-	56.0000	18.16	-1.21	+5.42	+12.95
Mexico	05/26	11.500	BB	87.0000	13.26	-0.57	+2.67	+8.07
ASIA								
China	07/06	7.750	BBB+	93.9460	9.45	-0.34	+1.52	+4.10
Philippines	10/16	8.750	BB+	83.0000	13.32	-0.35	+2.88	+8.32
Thailand	04/07	7.750	BBB-	70.4282	13.72	-1.53	+3.26	+8.93
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	99.5630	9.49	-0.96	+1.73	+4.81
South Africa	10/06	8.375	BB+	87.8517	10.68	-0.89	+1.43	+5.93
Turkey	09/07	10.000	B	75.0000	15.29	-0.69	+4.26	+10.50
BRADY BONDS								
Argentina	03/23	5.750	BB	60.5000	10.50	-0.42	+1.77	+5.37
Brazil	04/14	8.000	BB-	57.2500	14.33	-0.99	+2.43	+9.27
Mexico	12/19	6.250	BB	69.2500	9.69	-0.22	+1.37	+4.64
Venezuela	03/20	6.750	B+	59.2500	12.11	+0.15	+1.93	+7.04

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	-	109.75	-	-	-	-	33,892
Dec	109.27	109.60	-0.15	109.90	109.23	106,896	110,130

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
103	6.25	6.25	6.25	-	-	0.01
104	5.25	5.25	5.26	-	-	0.02
105	4.25	4.25	4.25	-	0.01	0.06
106	3.23	3.23	3.37	-	0.05	0.14

Est. vol. total, Calls 2,888 Puts 3,785. Previous day's open int., Calls 27,111 Puts 53,176.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	113.80	113.73	+0.31	113.96	113.73	663	601
Mar		113.40	+0.31			0	0

NOTIONAL GERMAN BUND FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	113.44	113.70	+0.45	113.95	113.35	469,179	580,964
Mar	113.72	114.04	+0.61	114.12	113.72	718	6,846

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
11350	0.52	0.83	1.21	0.29	0.70	0.86
11400	0.27	0.66	0.98	0.54	0.88	1.22
11450	0.12	0.49	0.75	0.89	1.25	1.52

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

NOTIONAL GERMAN BOND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	108.23	108.14	+0.03	108.40	108.13	172,540	259,900
Mar	107.76	107.84	+0.10	107.93	107.76	2,061	81

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	110.82	111.15	+0.18	111.27	110.67	17617	83911
Mar		111.13	+0.18			0	0

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Nov	Calls Dec	Puts Nov	Puts Dec
11100	0.34	0.63	0.10	0.48
11150	0.12	0.40	0.47	0.75
11200	0.03	0.23	0.88	1.08

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep		113.65					22,293
Dec	114.66	114.88	+0.27	114.98	114.85	74,066	62,212

UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	106.40	106.43	+0.27	106.51	106.40	66	351
Dec		106.58	+0.27			0	1694

NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	113.50	113.61	+0.47	114.05	113.50	234	3122
Dec	113.83	114.03	+0.45	114.31	113.62	59813	147344

LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
11400	0.50	0.99	1.27	0.47	0.96	1.24
11450	0.30	0.76	1.04	0.77	1.23	1.51
11500	0.17	0.58	0.84	1.14	1.55	1.81

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	128-23	128-14	+0-02	128-28	128-13	15,673	71,650
Dec	128-06	127-31	[illegible]	128-22	127-30	437,653	712,998
Mar	128-08	127-30	[illegible]	128-11	127-30	563	-

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	137.85	138.05		138.05	137.85	440	na
Mar		137.18					na

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	-	107.98	+0.38	-	-	-	-

US CORPORATE BONDS

Sep 14	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Sprd v Govts
UTILITIES								
Pac Bell	07/03	7.25	AA-	105.4865	5.82	+0.01	-0.40	+0.97
NY Tel	06/33	7.00	A+	102.2342	6.81	-	-0.14	+1.58
CWE	06/08	6.00	BBB	113.8219	6.11	+0.02	-0.12	+1.26
FINANCIALS								
SBCC	05/07	6.75	AAA	120.2121	5.73	+0.01	-0.32	+0.90
Banc One	06/07	7.25	A+	105.6004	5.81	+0.01	-0.42	+0.96
Media One	01/07	7.30	BBB	108.5716	6.27	+0.02	-0.18	+1.42
INDUSTRIALS								
WMX Tech	04/08	6.25	BBB+	100.1575	6.24	-0.03	-0.14	+1.35
Wal Mart	06/02	6.75	AA	108.1034	5.19	+0.01	-0.52	+0.54
Dayton Hud	06/21	8.50	BBB+	134.3905	5.72	+0.01	-0.04	+1.49
AGENCIES								
FHLMC	04/07	7.14	AA-	111.7829	5.40	+0.02	-0.38	+0.55
SLMA	03/00	7.50	AAA	103.2501	5.18	+0.04	-0.42	+0.48
FNMA	02/18	6.86	AAA	136.2663	5.80	+0.05	-0.24	+0.57
FFCB	05/06	6.95	AAA	122.3491	5.37	+0.02	-0.37	+0.52
HIGH YIELD								
Mesa Cpt	07/01	9.88	B	95.5000	0.00	-	-	-
AK Stl	12/07	9.13	BB-	92.7500	0.00	-	-	-
Pacific	08/04	10.75	B-	91.0000	0.00	-	-	-

NY closing. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8½	One month	[illegible]	Two year	4.68
Broker loan rate	7¼	Two month	[illegible]	Three year	4.63
Fed funds	5¼	Three month	[illegible]	Five year	4.64
Fed funds at intervention	[illegible]	Six month	[illegible]	10-year	4.85
		One year	4.77	30-year	5.23

London closing.

UK BONDS

FTSE Actuaries Govt. Securities — UK Indices

Price indices UK Gilts	Tue Sep 15	Day's change %	Mon Sep 14	Accrued interest	xd adj. ytd
1 Up to 5 years (18)	120.80	0.16	120.40	2.22	7.22
2 5-15 years (16)	170.05	0.38	169.41	3.29	7.14
3 Over 15 years (6)	218.91	0.46	218.84	3.37	7.42
4 Irredeemables (4)	281.88	0.76	289.47	4.21	8.53
5 All stocks (45)	161.87	0.33	161.03	2.81	7.45

	Low coupon yield Sep 15	Low coupon yield Sep 14	Low coupon yield Yr. ago	Medium coupon yield Sep 15	Medium coupon yield Sep 14	Medium coupon yield Yr. ago	High coupon yield Sep 15	High coupon yield Sep 14	High coupon yield Yr. ago
5 yrs	5.39	[illegible]	6.67	5.46	5.53	6.94	5.43	5.49	6.98
15 yrs	4.99	5.04	6.66	5.12	5.16	6.89	5.19	5.23	6.98
20 yrs	4.97	5.02	[illegible]	5.11	5.15	[illegible]	[illegible]	[illegible]	[illegible]
Irred.†	5.19	5.23	[illegible]						

Index-linked	Tue Sep 15	Day's change %	Mon Sep 14	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	220.20	0.05	221.32	0.98	4.38
7 Over 5 years (9)	229.58	[illegible]	[illegible]	1.34	3.95
8 All stocks (11)	235.83	[illegible]	235.85	1.16	4.91

	Inflation 5% Sep 15	Inflation 5% Sep 14	Inflation 5% Yr. ago	Inflation 10% Sep 15	Inflation 10% Sep 14	Inflation 10% Yr. ago
Up to 5 yrs	2.76	2.77	3.60	2.02	2.12	3.26
Over 5 yrs	2.44	2.45	3.50	2.23	2.27	3.28

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Sep 15	Sep 14	Sep 11	Sep 10	Sep 9	Yr ago	High*	Low*
Govt. Secs. (UK)	109.88	109.52	109.63	109.73	108.81	99.02	109.87	93.31
Fixed Interest	149.90	149.65	149.56	149.30	148.47	126.5	149.90	115.32

* for 1998. Government Securities high since compilation: [illegible]. Fixed Interest high since compilation: [illegible]. Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

هكذا من الاصل

France issues bond linked to inflation

D-Mark up as Tietmeyer rejects cut

MARKETS REPORT

By Simon Kuper

The dollar fell against the D-Mark on fresh signs that the US might cut interest rates while Germany would not.

Hans Tietmeyer, president of the Bundesbank, said: "In Europe, no reason can be seen to relax monetary policy." That quashed the notion that Germany would join any coordinated move by the Group of Seven industrialised nations to cut rates.

Many in the market had decided on Monday that such a move was imminent, after the G7 warned of the threat to global economic growth and noted that inflation was low or falling in many countries. President Bill Clinton had added: "The industrial world's chief priority today plainly is to spur growth." This month both the Federal Reserve and the Bank of England have hinted at rate cuts, and last week Japan reduced its overnight call rate.

However, Mr Tietmeyer said: "It would be wrong to see it (the G7's communiqué) as favouring a general lowering of interest rates." European domestic demand was improving strongly, and the international financial community should not take the lead in helping troubled countries, he said.

The D-Mark gained 1.6 pfg against the dollar and 3.2 pfgs against the pound to close in London at DM1.687 and DM2.824 respectively.

Brazilian shares jumped and pressure on the besieged real eased further thanks to the G7's talk of support for emerging market economies. However, the capital outflow from Brazil in recent weeks has amounted to $1bn-$2bn a day, and the country's foreign exchange reserves total only about $50bn.

■ Mr Tietmeyer's remarks made sense, because the world needs a US rate cut more than a German one, says Avinash Persaud, global head of foreign exchange research at J.P. Morgan in London.

He notes that the region most at risk of financial collapse is Latin America. A US rate cut would ease pressure on its currencies, by softening the dollar and helping the Latin Americans to lower their punitive interest rates. A German cut would make little difference to Brazil, says Mr Persaud.

Some note that the Fed usually sets rates for domestic reasons rather than from any sense of international altruism. But Mr Persaud says a collapse in Latin America, which accounts for almost 20 per cent of US trade, would be a most domestic issue for the US.

Such proportions may mean that Latin America is too big to fail. The same was said of Russia, but its status in the global economy was always far more modest.

Mr Persaud warns that Latin America is still not safe. No investors are putting money back into emerging markets yet. And Latin America, with its large current account deficits, needs constant inflows to defend its currencies.

■ The pound was hit by news that the UK's core rate of inflation fell to its target of 2.5 per cent in August. Most in the market think the Bank of England will cut interest rates next month.

Yet Eddie George, the Bank's governor, was more cautious yesterday. "The deterioration in the international economy could increase the risks of inflation falling below the target," he said. "That's still not the most likely outcome in the eyes of most of us (on the Bank's monetary policy committee). But recent international developments have at least reduced the likelihood that we will need to tighten policy further."

Crucial average earnings data appear today.

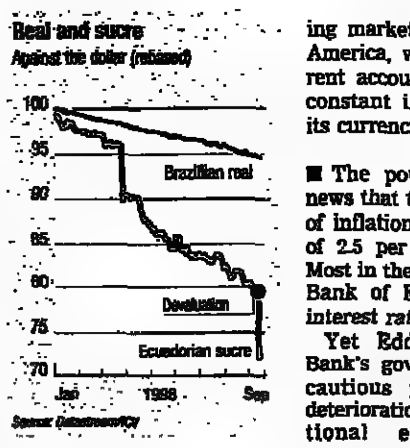
■ The rouble yesterday rose briefly to near its pre-collapse level of a month ago, pushed up by Russian banks who had to repay foreign investors in dollars on contracts that expired yesterday. It hit Rs7.5 to the dollar, compared with its old pegged level of about Rs6. However, as soon as the banks had paid up, it fell to about Rs12.5 to the dollar.

Most of the contracts had been agreed at a rate of about Rs6. With the rouble dropping below Rs20 in the past fortnight, the banks had risked making large losses.

Given that Russia is likely to print money, the rouble's future looks grim.

Real and sucre

Against the dollar (rebased)



Source: Datastream/ICV

■ POUND IN NEW YORK

Sep 15	—Latest—	– Prev. close –
£ spot	1.6740	1.6770
1 mth	1.6714	1.6745
3 mth	1.6664	1.6694
1 yr	1.6395	1.6499

■ OTHER CURRENCIES

Sep 15	£	$
Czech Rp	50.8032 - 50.9074	30.3780 - 30.4070
Hungary	366.570 - 366.904	219.070 - 219.170
Iran	5022.00 - 5019.00	3000.00 - 3000.00
Kuwait	0.5063 - 0.5090	0.3035 - 0.3040
Peru	5.0651 - 5.0728	3.0270 - 3.0300
Poland	5.9820 - 6.0104	3.5750 - 3.5900
Russia	17.5897 - 19.2553	10.5000 - 11.5000
U.A.E.	6.1457 - 6.1495	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Sep 15		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.8588	-0.2265	587 - 778	20.0759	19.8522	19.7988	4.1	19.6799	3.8	19.2439	3.1	103.8
Belgium	(BFr)	58.2482	-0.6746	974 - 990	59.1180	58.1950	58.048	4.2	57.695	3.9	56.3861	3.2	103.7
Denmark	(DKr)	10.7698	-0.1017	652 - 743	10.8762	10.7646	10.7426	2.9	10.6975	2.7	10.5413	2.1	105.9
Finland	(FM)	8.5964	-0.098	899 - 029	8.7060	8.5940	8.5677	4.0	8.5152	3.8	8.3168	3.3	82.5
France	(FFr)	9.4678	-0.107	635 - 718	9.5686	9.4628	9.435	4.1	9.3773	3.8	9.1615	3.2	107.3
Germany	(DM)	2.8237	-0.032	224 - 249	2.8542	2.8218	2.814	4.1	2.7964	3.9	2.7329	3.2	105.8
Greece	(Dr)	494.969	-4.665	536 - 401	502.044	494.530	497.286	-5.7	501.974	-5.8	506.439	-4.8	60.9
Ireland	(I£)	1.1302	-0.0128	280 - 304	1.1398	1.1258	1.127	1.3	1.1251	1.8	1.098	2.7	96.2
Italy	(L)	2789.06	-30.99	705 - 106	2818.20	2786.65	2783.48	2.3	2772.92	2.3	2711.79	2.8	78.7
Luxembourg	(LFr)	58.2482	-0.6746	974 - 990	59.1180	58.1950	58.048	4.2	57.695	3.9	56.3861	3.2	103.7
Netherlands	(Fl)	3.1844	-0.0365	830 - 857	3.2164	3.1827	3.173	4.3	3.1528	4.0	3.08	3.3	103.2
Norway	(NKr)	12.5934	-0.1082	891 - 977	12.7054	12.5877	12.6028	-0.9	12.6169	-0.7	12.6207	-0.2	92.6
Portugal	(Es)	289.375	-3.311	213 - 536	292.417	289.159	288.598	3.3	287.101	3.1	280.646	3.0	92.8
Spain	(Pta)	239.807	-2.725	700 - 913	242.360	239.650	239.197	3.1	237.999	3.0	232.692	3.0	77.7
Sweden	(SKr)	12.9947	-0.2431	570 - 724	13.2087	12.9539	12.9279	3.4	12.8543	3.1	12.6459	2.5	83.4
Switzerland	(SFr)	2.3314	-0.0233	299 - 328	2.3527	2.3300	2.3192	6.3	2.2976	5.8	2.2165	4.9	108.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	102.1
Ecu	-	1.4390	-0.0101	383 - 396	1.4581	1.4358	1.4330	3.4	1.4255	3.2	1.3848	3.0	-
SDR†	-	1.226080	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6735	-0.003	730 - 739	1.6826	1.6727	-	-	-	-	-	-	-
Brazil	(R$)	1.9730	-0.0052	723 - 737	1.9855	1.9720	-	-	-	-	-	-	-
Canada	(C$)	2.5178	-0.0229	166 - 187	2.5315	2.5149	2.5131	2.1	2.5068	1.9	2.4781	1.8	78.1
Mexico	(New Peso)	17.0880	-0.5761	677 - 103	17.4647	17.0561	17.7218	-44.4	18.8011	-40.1	23.3146	-36.4	-
USA	($)	1.6735	-0.003	733 - 742	1.6829	1.6730	1.6711	1.9	1.6661	1.8	1.6465	1.6	109.9
Pacific/Middle East/Africa													
Australia	(A$)	2.8105	-0.0075	086 - 124	2.8331	2.8044	2.8040	2.4	2.794	2.3	2.7565	1.9	78.0
Hong Kong	(HK$)	12.9670	-0.0207	631 - 709	13.0366	12.9612	12.994	-2.5	13.0549	-2.7	13.5133	-4.2	-
India	(Rs)	71.1177	-0.1767	818 - 536	71.5230	71.0760	-	-	-	-	-	-	-
Indonesia	(Rupiah)	18578.89	-788.4	284 - 475	19401.70	17650.00	19610.28	-66.6	21325.1	-59.1	28849.37	-54.2	-
Israel	(Shk)	6.4320	-0.0011	218 - 422	6.4422	6.4072	-	-	-	-	-	-	-
Japan	(Y)	222.195	-0.806	097 - 300	224.070	222.080	220.804	7.5	218.279	7.1	207.590	6.4	114.5
Malaysia	(M$)	6.3600	-0.0116	586 - 620	6.3950	6.3582	-	-	-	-	-	-	-
New Zealand	(NZ$)	3.2510	-0.0055	478 - 540	3.2786	3.2471	3.2465	2.0	3.2372	1.7	3.2299	0.8	91.8
Philippines	(Peso)	73.3522	+0.1596	069 - 974	73.4060	73.2089	73.8303	-7.8	74.8334	-8.1	79.6777	-8.6	-
Saudi Arabia	(SR)	6.2778	-0.0115	757 - 799	6.3121	6.2754	6.2724	1.0	6.2621	1.0	6.2324	0.7	-
Singapore	(S$)	2.8864	-0.0212	839 - 888	2.9142	2.8836	2.8799	2.7	2.8717	2.0	2.8443	1.5	-
South Africa	(R)	10.2936	-0.1445	741 - 131	10.4901	10.2740	10.4234	-15.1	10.6706	-14.7	11.789	-14.5	-
South Korea	(Won)	2312.29	-19.3	915 - 542	2358.02	2306.76	-	-	-	-	-	-	-
Taiwan	(T$)	57.7871	-0.1397	640 - 101	58.0988	57.7387	57.787	0.0	58.0158	-1.6	58.9456	-2.0	-
Thailand	(Bt)	68.2801	-0.2186	370 - 311	68.5320	68.1770	68.5649	-4.9	69.473	-6.9	74.0106	-8.4	-

† Rates for Sep 11. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the Internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 15		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	11.8705	-0.1129	680 - 730	11.9620	11.8420	11.8485	2.2	11.8125	2.0	11.6975	1.5	103.6
Belgium	(BFr)	34.8010	-0.339	800 - 220	35.1620	34.7440	34.7355	2.3	34.6245	2.0	34.246	1.6	103.5
Denmark	(DKr)	6.4345	-0.049	335 - 355	6.4792	6.4215	6.4291	1.0	6.421	0.8	6.4022	0.5	106.2
Finland	(FM)	5.1360	-0.0491	330 - 385	5.1790	5.1255	5.1271	2.1	5.1112	1.9	5.051	1.7	82.0
France	(FFr)	5.6565	-0.0535	555 - 575	5.6988	5.6447	5.6461	2.2	5.6286	2.0	5.5642	1.6	105.8
Germany	(DM)	1.6870	-0.0161	867 - 873	1.7003	1.6830	1.6839	2.3	1.6784	2.0	1.6598	1.6	105.1
Greece	(Dr)	289.750	-2.255	370 - 630	293.110	288.740	291.6	-7.7	295.3	-7.7	308.8	-6.5	60.8
Ireland	(I£)	1.4806	+0.014	811 - 861	1.4845	1.4735	1.4829	0.8	1.4834	0.0	1.4698	-1.1	-
Italy	(L)	1666.35	-15.45	560 - 710	1679.80	1661.80	1665.78	0.4	1664.4	0.5	1647	1.2	76.5
Luxembourg	(LFr)	34.8010	-0.339	800 - 220	35.1620	34.7440	34.7355	2.3	34.6245	2.0	34.246	1.6	103.5
Netherlands	(Fl)	1.9025	-0.0184	022 - 028	1.9170	1.8982	1.8987	2.4	1.8923	2.1	1.8706	1.7	102.8
Norway	(NKr)	7.5247	-0.0508	235 - 260	7.5680	7.5024	7.5418	-2.8	7.5731	-2.6	7.6652	-1.9	92.6
Portugal	(Es)	172.900	-1.85	849 - 940	174.240	172.570	172.695	1.4	172.327	1.3	170.45	1.4	93.3
Spain	(Pta)	143.275	-1.365	250 - 300	144.430	143.000	143.138	1.1	142.849	1.2	141.325	1.4	77.5
Sweden	(SKr)	7.7459	-0.1309	434 - 484	7.8697	7.7353	7.7383	1.5	7.7216	1.3	7.5804	0.8	82.2
Switzerland	(SFr)	1.3929	-0.0114	924 - 934	1.4025	1.3875	1.3879	4.4	1.3792	3.9	1.3462	3.4	107.8
UK	(£)	1.6735	-0.003	733 - 742	1.6829	1.6730	1.6711	1.9	1.6661	1.9	1.6465	1.8	102.9
Ecu	-	1.1640	+0.01	630 - 650	1.1681	1.1631	1.1654	-1.5	1.1679	-1.3	1.1807	-1.4	-
SDR†	-	0.73114	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9995	-	990 - 999	0.9998	0.9996	-	-	-	-	-	-	-
Brazil	(R$)	1.1785	-0.0009	787 - 789	1.1795	1.1787	-	-	-	-	-	-	-
Canada	(C$)	1.5042	-0.0109	039 - 044	1.5080	1.5017	1.5039	0.2	1.504	0.0	1.5051	-0.1	77.6
Mexico	(New Peso)	10.2100	-0.325	000 - 200	10.2200	10.1900	10.605	-46.4	11.295	-42.1	14.10	-38.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	110.8
Pacific/Middle East/Africa													
Australia	(A$)	1.6791	-0.0014	784 - 798	1.6876	1.6681	1.6783	0.6	1.6767	0.6	1.666	0.8	77.6
Hong Kong	(HK$)	7.7473	+0.0018	470 - 475	7.7480	7.7460	7.7758	-4.4	7.8361	-4.6	8.2073	-5.9	-
India	(Rs)	42.4900	-0.0275	800 - 000	42.5200	42.4750	42.92	-12.1	43.74	-11.8	46.985	-10.6	-
Indonesia	(Rupiah)	11100.00	-400	000 - 000	11650.00	10150.00	11735	-68.6	12800	-61.3	17400	-56.8	-
Israel	(Shk)	3.8425	+0.0084	375 - 475	3.8485	3.8270	-	-	-	-	-	-	-
Japan	(Y)	132.765	-0.3	730 - 780	133.400	132.420	132.13	5.8	131.02	5.2	126.32	4.8	115.6
Malaysia	(M$)	3.8000	-	000 - 000	3.8000	3.8000	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.9420	+0.0004	419 - 436	1.9524	1.9350	1.9454	-1.9	1.9505	-1.8	1.9695	-1.4	-
Philippines	(Peso)	43.8250	+0.175	500 - 000	43.9000	43.7500	44.181	-9.7	44.9175	-10.0	48.5125	-10.7	-
Saudi Arabia	(SR)	3.7508	-	505 - 510	3.7510	3.7455	3.7535	-0.9	3.7588	-0.9	3.7803	-0.8	-
Singapore	(S$)	1.7248	-0.0085	235 - 255	1.7340	1.7220	1.7233	0.8	1.7236	0.2	1.7275	-0.2	-
South Africa	(R)	6.1500	-0.075	400 - 600	6.2900	6.1375	6.2375	-17.1	6.405	-16.6	7.16	-16.4	-
South Korea	(Won)	1381.50	-9	000 - 300	1404.00	1380.00	-	-	-	-	-	-	-
Taiwan	(T$)	34.5255	-0.0205	210 - 300	34.5900	34.5200	34.5806	-1.9	34.8255	-3.5	35.8005	-3.7	-
Thailand	(Bt)	40.8000	-0.055	500 - 500	40.8500	40.7500	41.03	-6.8	41.7	-8.8	44.95	-10.2	-

† SDR rate per $ for Sep 11. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 11: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Sep 15	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅝	3½	3½	3⅝	3¾	5.00	2.75	-
France	3⅝	3¼	3¼	3¼	3⅝	4.60	-	3.30
Germany	3⅝	3⅝	3⅝	3½	3¾	4.50	2.50	3.30
Ireland	6⅜	6¼	5⅞	4⅞	4¾	-	-	6.19
Italy	5½	5½	4⅞	4¾	4	6.50	5.00	5.24
Netherlands	3⅝	3¼	3⅞	3¼	4¼	-	2.75	3.30
Switzerland	1¼	1⅞	1⅞	1⅞	1⅞	-	1.00	-
US	5⅝	5½	5¼	5⅜	5¼	-	5.00	-
Japan	¼	½	¼	½	½	-	0.50	-
■ S LIBOR BBA London								
Interbank Fixing	-	5⅝	5½	5⅜	5¼	-	-	-
US Dollar CDs	-	5.31	5.28	5.18	5.05	-	-	-
ECU Linked Ds	-	4½	4¼	3⅞	4⅞	-	-	-
SDR Linked Ds	-	3⅞	3⅞	3⅞	3¾	-	-	-

London Interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 15	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅞ - 3¾	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½
Danish Krone	4⅝ - 3⅞	4⅝ - 4½	4⅞ - 4⅝	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½
German Mark	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½
Dutch Guilder	3½ - 3⅜	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	4⅛ - 4
French Franc	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½
Portuguese Esc.	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	3⅞ - 3¾	3⅞ - 3¾
Spanish Peseta	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅜ - 4¼	4⅛ - 4	3⅞ - 3¾
Sterling	7½ - 7¼	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½	7⅜ - 7¼	7⅛ - 6⅞
Swiss Franc	1½ - 1⅜	1⅝ - 1½	1⅝ - 1½	1⅝ - 1½	1⅝ - 1½	1⅝ - 1½
Canadian Dollar	5 - 5¾	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½
US Dollar	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5¼
Italian Lira	5½ - 5¼	5⅜ - 5¼	5⅜ - 5¼	5 - 4⅞	4⅝ - 4½	4⅛ - 3⅞
Japanese Yen	½ - ¼	½ - ¼	½ - ¼	½ - ¼	½ - ¼	½ - ¼
Asian $Sing	1 - ½	3¼ - 2¾	4¼ - 3¾	4½ - 4¼	4¾ - 4½	4¾ - 4½

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.46	96.48	+0.01	96.50	96.46	12,577	90,810
Mar	96.54	96.48	+0.01	96.56	96.53	22,087	46,428

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Oct	96.500	96.495	+0.015	96.505	96.480	2600	15308
Mar	96.535	96.545	+0.010	96.580	96.535	85100	507830
Jun	96.515	96.530	+0.010	96.560	96.500	30565	285343
Sep	96.505	96.495	+0.010	96.535	96.490	22395	237125

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Oct		96.655	+0.015			0	0
Nov		-				0	0

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.200	95.210	+0.010	95.240	95.200	21873	161840
Mar	96.500	96.510	+0.010	96.550	96.500	5754	270328
Jun	96.510	96.495	+0.005	96.520	96.460	2690	95437
Sep	96.480	96.485	+0.005	96.510	96.460	1499	41880

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.250	98.240	+0.010	98.270	98.230	12720	76509
Mar	98.250	98.250	-	98.280	98.240	6804	39199
Jun	98.190	98.170	-	98.210	98.170	1401	23581
Sep	98.060	98.060	+0.010	98.080	98.050	812	15054

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		99.44	+0			0	na
Mar		99.48	+0			0	na
Jun		99.51	+0			0	na

* LIFFE futures also traded on APT

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Nov		95.900	+0.050			0	0
Mar		96.540	+0.015			0	5200
Jun		96.515	+0.015			0	2021
Sep		96.490	+0.015			0	1333

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
96125	0.185			0.100		
96250	0.120	0.370	0.365	0.160	0.110	0.130
96375	0.070			0.235		

Est. vol. total, Calls 606 Puts 2474 Previous day's open int., Calls 62077 Puts 69855

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 15		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.49	16.25	4.848	1.937	4788	5.467	21.62	496.8	411.7	22.28	4.002	1.717	4.322	2.873	381.5	2.469
Denmark	(DKr)	54.09	10	8.791	2.622	1.048	2590	2.957	11.69	268.7	222.7	12.04	2.165	0.929	2.338	1.554	206.3	1.336
France	(FFr)	61.52	11.38	10	2.982	1.192	2946	3.363	13.30	305.6	253.3	13.69	2.462	1.056	2.659	1.768	234.7	1.519
Germany	(DM)	20.63	3.814	3.353	1	0.400	987.8	1.128	4.460	102.5	84.93	4.592	0.826	0.354	0.892	0.593	78.69	0.509
Ireland	(I£)	51.63	9.546	8.392	2.503	1	2472	2.823	11.16	256.5	212.6	11.49	2.067	0.886	2.232	1.484	197.0	1.275
Italy	(L)	2.089	0.386	0.339	0.101	0.040	100	0.114	0.452	10.38	8.598	0.465	0.084	0.036	0.090	0.060	7.967	0.052
Netherlands	(Fl)	18.29	3.382	2.973	0.887	0.354	875.9	1	3.955	90.88	75.31	4.071	0.732	0.314	0.791	0.526	69.78	0.452
Norway	(NKr)	46.25	8.552	7.518	2.242	0.896	2215	2.529	10	229.8	190.4	10.29	1.851	0.794	1.999	1.329	176.4	1.142
Portugal	(Es)	20.13	3.722	3.272	0.976	0.390	963.8	1.100	4.352	100	82.87	4.480	0.806	0.346	0.870	0.578	76.79	0.497
Spain	(Pta)	24.29	4.491	3.948	1.177	0.470	1163	1.328	5.252	120.7	100	5.406	0.972	0.417	1.050	0.698	92.66	0.600
Sweden	(SKr)	44.93	8.307	7.303	2.178	0.870	2151	2.456	9.714	223.2	185.0	10	1.798	0.771	1.942	1.291	171.4	1.109
Switzerland	(SFr)	24.98	4.620	4.061	1.211	0.484	1196	1.366	5.402	124.1	102.9	5.561	1	0.429	1.080	0.718	95.31	0.617
UK	(£)	58.25	10.77	9.468	2.824	1.128	2789	3.184	12.59	289.4	239.8	12.97	2.331	1	2.518	1.674	222.2	1.438
Canada	(C$)	23.14	4.278	3.760	1.122	0.448	1108	1.265	5.002	114.9	95.25	5.150	0.926	0.397	1	0.665	88.26	0.571
USA	($)	34.80	6.435	5.657	1.687	0.674	1666	1.903	7.524	172.9	143.3	7.746	1.393	0.597	1.504	1	132.8	0.859
Japan	(Y)	26.21	4.847	4.261	1.271	0.508	1255	1.433	5.668	130.2	107.9	5.835	1.049	0.450	1.133	0.753	100	0.647
Ecu	-	40.51	7.490	6.584	1.964	0.785	1940	2.215	8.758	201.2	166.8	9.016	1.621	0.695	1.751	1.164	154.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.5920	0.5952	+0.0031	0.5973	0.5906	17,496	132,936
Mar	-	0.5984	+0.0040	0.5989	-	2	175
Jun	-	0.5996	+0.0030	0.6010	-	47	127

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7212	0.7249	+0.0037	0.7263	0.7198	15,892	61,498
Mar	0.7315	0.7315	+0.0049	0.7340	0.7315	14	69
Jun	0.7375	0.7379	+0.0048	0.7395	0.7375	-	3

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7648	0.7629	-0.0018	0.7670	0.7612	26,607	78,624
Mar	-	0.7743	-	-	-	65	2,084
Jun	-	0.7836	-	-	-	110	698

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6696	1.6702	+0.0008	1.6750	1.6700	6,279	49,777
Mar	-	1.6650	+0.0024	1.6650	-	2	14
Jun	-	1.6660	-	-	-	-	204

UK INTEREST RATES

LONDON MONEY RATES

Sep 15	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	9 - 7	7⅝ - 7½	7¾ - 7⅝	7⅝ - 7½	7½ - 7⅜	7 - 6⅞
Sterling CDs	-	-	7⅝ - 7⅝	7⅝ - 7½	7⅜ - 7¼	7⅛ - 7
Treasury Bills	-	-	7½ - 7⅜	7⅜ - 7¼		-
Bank Bills	-	-	7⅝ - 7½	7⅜ - 7¼	7⅜ - 7¼	-
Local authority deps.	7½ - 7	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½	7⅜ - 7¼	7⅛ - 7
Discount Market deps	7½ - 7⅛	7½ - 7⅜	-	7⅜ -	-	-

UK clearing bank base lending rate 7½ per cent from Jun 4, 1998

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Sep 4, 7.0964pc. ECGD fixed rate Stg. Export Finance. Make up day Aug 28, 1998. Agreed rate for period Sep 23, 1998 to Oct 25, 1998, Scheme III 8.89pc. Reference rate for period Aug 1, 1998 to Aug 28, 1998, Schemes IV & V 7.740pc. Finance House Base Rate 8pc from Sep 1, 1998.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.560	92.570	+0.020	92.590	92.550	19296	151200
Dec	92.960	92.950	+0.010	92.980	92.930	58189	190613
Mar	93.310	93.340	+0.040	93.380	93.310	43952	149212
Jun	93.580	93.620	+0.060	93.670	93.580	28791	143972
Sep	93.720	93.760	+0.060	93.790	93.710	26002	118018

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
92500	0.075	0.490	0.890	0.005	0.040	0.050
92625	0.005			0.060		
92750	0	0.290	0.685	0.180	0.090	0.095
92875	0			0.305		
93000	0	0.160	0.480	0.430	0.210	0.140
93125	0			0.555		

Est. vol. total, Calls 21942 Puts 13162. Previous day's open int., Calls 637693 Puts 635083

EMS EUROPEAN CURRENCY UNIT RATES

Sep 15	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	357.000	337.044	+0.559	-5.59	5.21	87
Ireland	0.796244	0.783597	-0.000786	-1.59	0.93	11
Italy	1957.61	1937.26	-1.54	-1.04	0.37	8
Spain	168.220	166.580	-0.158	-0.97	0.31	7
Denmark	7.54257	7.47687	-0.00561	-0.87	0.20	6
France	6.63186	6.57659	-0.00626	-0.83	0.17	7
Germany	1.97738	1.96125	-0.0019	-0.82	0.16	8
Austria	13.9119	13.8001	-0.0141	-0.80	0.14	6
Belgium	40.7844	40.4591	-0.0383	-0.80	0.13	8
Portugal	202.692	201.076	-0.193	-0.80	0.13	5
Netherlands	2.22795	2.21182	-0.00238	-0.72	0.05	5
Finland	6.01125	5.97106	-0.00471	-0.67	0.00	4
NON ERM MEMBERS						
UK	0.653644	0.695785	+0.004447	5.98	-6.28	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. 16/3/98: Drachma joined ERM & Punt revalued by 3%. Other central rates adjusted. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
1.670	2.05	2.51	-	1.49	2.14	-
1.680	1.54	2.02	2.39	1.98	2.62	3.18
1.690	1.13	1.61	-	2.51	3.21	-

Previous day's vol., Calls 80 Puts 0 . Prev. day's open int., Calls 853 Puts 3,341

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
0.585	1.25	1.50	1.68	0.71	0.88	0.99
0.590	0.97	1.23	1.37	0.93	1.11	1.22
0.595	0.74	0.99	1.17	7.21	1.38	1.52

Previous day's vol., Calls 40 Puts 0 . Prev. day's open int., Calls 2,141 Puts 7,879

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.05	94.92	+0.01	95.11	94.84	14,016	151,184
Dec	94.85	98.84	+0.01	94.87	94.82	136,478	471,008
Mar	95.02	95.03	+0.01	95.07	95.02	120,864	461,802

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	-	95.24	-	-	-	31	2,989
Dec	95.70	95.70	+0.03	95.72	95.7	153	1,127
Mar	-	95.91	+0.04	95.91	-	123	123

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
96375	0.115	0.125	0.145		0.040	0.050	0.070	
96500	0.050	0.065	0.085	0.185	0.100	0.115	0.135	0.140
96625	0.020	0.030	0.045		0.195	0.205	0.220	
96750	0.010	0.020	0.030	0.080	0.310	0.320	0.330	0.285

Est. vol. total, Calls 6900 Puts 11330. Previous day's open int., Calls 282295 Puts 283195

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
98250	0.140	0.210	0.270	0.150	0.210	0.250
98375	0.080			0.215		

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 13155 Puts 4322

BASE LENDING RATES

	%
Adam & Company	7.50
Allied Irish Bank (GB)	7.50
●Henry Ansbacher	7.50
Banco Bilbao Vizcaya	7.50
Bank of Cyprus	7.50
Bank of Ireland	7.50
Bank of India	7.50
Bank of Scotland	7.50
Barclays Bank	7.50
Brit Bk of Mid East	7.50
●Brown Shipley & Co Ltd	7.50
Citibank NA	7.50
Clydesdale Bank	7.50
The Co-operative Bank	7.50
Coutts & Co	7.50
Cyprus Popular Bank	7.50
Duncan Lawrie	7.50
Exeter Trust Limited	8.50
Financial & Gen Bank	8.00
●Robert Fleming & Co	7.50
Habib Bank AG Zurich	7.50
Heritable & Gen Inv Bk	7.50
C. Hoare & Co	7.50
●Hambros Bank	7.50
Hongkong & Shanghai	7.50
Investec Bank (UK) Ltd	7.50
Julian Hodge Bank	7.50
●Leopold Joseph & Sons	7.50
Lloyds Bank	7.50
Midland Bank	7.50
NatWestminster	7.50
●Rea Brothers	7.50
Royal Bk of Scotland	7.50
Scottish Widows Bank	7.50
●Singer & Friedlander	7.50
Smith & Williamson	7.50
Sun Bank	7.50
TSB	7.50
United Bank of Kuwait	7.50
Unity Trust Bank Plc	7.50
Whiteaway Laidlaw	7.50
Yorkshire Bank	7.50

● Members of London Investment Banking Association

COMMODITIES & AGRICULTURE

Harder edge seen in wheat market

By Paul Solman

Although wheat markets remain depressed, there has been some evidence that the market may be bottoming out, according to the International Grains Council.

"Although the global supply and demand outlook remained largely bearish, news of major flooding in China and a significant cut in Russia's crop forecast gave a slightly harder edge to a market otherwise almost bereft of buying interest," the council says in its *Grain Market Report*.

World wheat production is forecast at 593m tonnes for 1998, just below the record 609m tonnes last year.

The IGC says Russian harvests are continuing more slowly than last year, and intense heat and drought is affecting 37 of Russia's 89 growing regions. China is expected to produce 109m tonnes this year compared with 123.3m tonnes in 1997.

By contrast, European Union wheat production is expected to rise 8.3m tonnes to 103.4m tonnes, with France on course for a record harvest of 38m tonnes. US production is put at 69m tonnes, only slightly above last year's 68.8m tonne harvest.

Wheat consumption is forecast at 602m tonnes compared with 588m tonnes last year. World stocks are estimated to fall to 122m tonnes from 132m tonnes.

The IGC says world trade will remain almost static at 94.2m tonnes compared with 94.9m tonnes in 1997.

"It is interesting to note that the static level of trade is forecast in a year when production in traditional importing countries actually declined by over 20m tonnes, reflecting the high level of stocks in countries such as China and the sharp decline in use in centrally planned economies such as Russia," the council says.

On coarse grains, the IGC forecasts world production at 905m tonnes compared with 904m tonnes last year, with consumption at 895m tonnes against 891m tonnes.

Poland counts cost of restructuring coal

A low unemployment area faces radical changes, writes **Christopher Bobinski**

Coal production will be cut from 137m tonnes to about 110m tonnes a year as productivity rises 41%

The Polish government's new five-year coal restructuring plan sees the loss-making coal producers in the southern region of Silesia, which have helped to turn the area into an industrial wasteland, returning to profit within three years.

They are to shed 105,000 of the 246,000 people they employ. Overall, coal production is to be cut from last year's 137m tonnes to about 110m tonnes a year as productivity rises 41 per cent over the period of the plan.

However, at the same time, thousands of jobs will be lost in the Silesian steel industry and the transport sector is set for heavy redundancies.

These developments will radically change a regional labour market that has been one of Poland's lowest unemployment areas.

Ryszard Pojda is managing director of Rudzka Coal, which is one of the industry's seven coal producers.

The company mines 50,000 tonnes of coal a day and employs about 24,000 people, but once the restructuring is completed in 2002, Mr Pojda expects to be producing 48,000 tonnes a day with 15,000 workers.

So far, Mr Pojda says, the redundancy scheme, in force since June 1, has attracted some 1,000 volunteers at Rudzka. Most have accepted a lump sum of 44,400 zlotys ($12,231). This compares with miners' average monthly wage of just less than 2,000 zlotys.

Others have chosen a five-year pre-retirement "holiday" at 75 per cent of their basic wage. Only a few have elected to retrain.

The miners' enthusiasm for the redundancy scheme has caught the government by surprise. It had originally budgeted for 12,000 redundancies this year at a cost of 505m zlotys.

However, since June more than 10,000 people have come forward. With new candidates applying at a rate of 500 a week, the government is going to have to find an extra 250m zlotys at least this year.

Overall, the redundancy scheme is to cost the government 4.3bn zlotys over the entire five-year period (although part of the cost will be borne by $1bn of World Bank loans over three years, which are now being prepared).

The steel industry also faces a halving of its 90,000-strong workforce over the next few years and the steelworkers' unions will no doubt want to see their redundancy package matching the miners' scheme.

However, Wilhelm Kirsz, managing director at the Labedy steel works and the head of the Steel Employers Association, criticises the coal plan.

"Giving employees one-off redundancy payments is just a trick," he says. "We will be asking the government to devote 60 per cent of the redundancy funds available to job creation and to hand the rest to those who are laid off."

Bohdan Lukaszewicz, head of Modioz, a labour monitoring unit based in Gliwice, agrees. He says Silesia faces the prospect of social unrest if all the available money is merely pumped into redundancy payments.

"Those who take the lump sum will soon spend the cash on cars and doing up their homes. Once it is gone, they will line up at the labour exchanges," he says. Others on the redundancy "holidays" will be recruited by the local grey market or will travel to Germany to do casual jobs there, he adds.

In the Knurow area, 76 per cent of the workforce works in local mines. Knurow is an area of low unemployment, but faces 6,000 redundancies.

Romuald Myga, mayor of Knurow, says the job creation provisions in the coal plan are not enough. They include a two-year waiver of the national insurance payments employers would normally have to pay for every former miner they take on. In addition, there will be some further funds for localities where mines have been closed.

At the Rudzka coal company, Mr Pojda is hoping the projected east-west A4 motorway, set to run near his soon-to-be-closed mining areas, will attract outside investors and brochures are being prepared to lure them.

However, the sweeteners Mr Myga and Mr Pojda can provide will fall far short of those that Opel, the German vehicle maker, wrung out of Poland's government two years ago as the price for locating a plant in nearby Gliwice. That plant came on stream this month with a 2,000-strong workforce. Few of them, though, are former miners.

Record volumes in white sugar

MARKETS REPORT

By Paul Solman

White sugar futures set a new record for daily volumes on the London International Financial Futures and Options Exchange yesterday, with 11,244 lots traded.

The record comes as sugar prices stand at about $215 a tonne, their lowest for 10 years. The previous daily volume record of 10,627 lots was set on April 14. A lot is 50 tonnes of sugar.

"The market for physical raw sugar is quiet at the moment so traders may be seeing better liquidity in physical white sugar," Liffe said yesterday. "There has also been an increase in fund business, and some activity ahead of the expiry of the October contract."

In spite of the heavy volumes, sugar prices were largely unchanged yesterday, with the most actively traded December contract at $216.10 a tonne at the close of trading, against Monday's close of $218.30. Prices have fallen sharply in the past year due to oversupply and slowing demand from Asia.

Liffe cocoa also remained weak, with the benchmark December contract touching an 11-week low to end down £20 at £1,039 a tonne.

The crude oil market was subdued. On London's International Petroleum Exchange, the benchmark October contract for Brent blend was $12.90 a barrel in late trading, compared with Monday's close of $12.86.

Traders will be watching today's meeting of ministers from Saudi Arabia, Kuwait and Qatar for signs of a commitment to further oil production curbs. The United Arab Emirates said yesterday further production cuts by the Organisation of Petroleum Exporting Countries were possible if crude prices did not improve.

NEWS DIGEST

NICKEL

WMC to cut production at three Kambalda mines

WMC, the Australian resources group, is to cut nickel production at its three Kambalda mines because of low world prices. WMC said yesterday it would shut the Wannaway mine in October, Blair in November and Otter/Juan in January. Output will drop by a total of 10,000 tonnes, to 24,000 tonnes a year.

Nickel prices have been trading at lows of just above $4,000 a tonne on the London Metal Exchange recently as base metals continue to suffer the effects of high output and the Asian financial crisis. CRU International, the consultancy, has suggested that 40 per cent of western world primary nickel production is unprofitable at an LME cash price of $2 a pound, and prices have averaged $2 a pound or less for the past two months.

"Nickel prices have permanently moved into a lower price band," Merrill Lynch said in its bi-weekly Commodity Markets Trends report. "The industry is embarking on a painful restructuring which some consultant engineers think will take at least five years to accomplish."

WMC's announcement helped nickel prices on the LME yesterday. Prices for three-month delivery touched $4,255 a tonne at one point before settling back to close at $4,155, compared with Monday's close of $4,120.

Earlier this month Falconbridge, the Canadian group, announced it would shut down production at its Dominican Republic operation for about three months from October 25, losing about 8,000 tonnes of nickel in ferro-nickel.
Paul Solman

FRUIT AND VEGETABLES

Sharp fall in Indian output

A sharp fall in India's production of horticultural crops has sparked a steep rise in prices and fears that the availability of fruit and vegetables, such as potatoes, onions, mangoes and grapes will fall short of the "normal nutritional needs" of the people.

Although the normal monsoon in most parts of the country, and the possibility that winter may set in early, have raised hopes that production of fruit and vegetables will exceed 145m tonnes in 1998-99, India's Horticulture Commission puts the country's requirement at 233.6m tonnes. Daily per capita consumption of vegetables in India is less than 150g, compared with the ideal requirement of 280g.

The commission, which has criticised the government for neglecting the horticultural sector, aims to start a productivity enhancement programme by making available high-quality seeds and transferring technology to farmers.

K. V. Peter, director of the Indian Institute of Spices Research, said: "There is little scope to enlarge the present area of 5.335m hectares under vegetables, accounting for 2.7 per cent of the total cropped area. The only viable and sustainable solution is increasing productivity."

The Bharat Chamber of Commerce said: "Indian productivity of most vegetables being much lower than the world average and the scope for bringing more land under horticultural crops limited, it is only through improved agricultural practices that a significant improvement in supply can be brought about." **Kunal Bose, Calcutta**

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1342.5-44.5	1372-74
Previous	1341-42	1371-72
High/low		1376/1367
AM Official	1338-38.5	1367.5-68
Kerb close		1373-4
Open int.	294,713	
Total daily turnover	105,898	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1150-65	1372-74
Previous	1150-55	1371-72
High/low		1185/1175
AM Official	1146-47	1175-76
Kerb close		1180-82
Open int.	7,977	
Total daily turnover	2,371	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	514.5-5.5	529-30
Previous	510.5-1.5	525.5-6
High/low		530/527
AM Official	516-6.5	530-0.5
Kerb close		527-8
Open int.	37,241	
Total daily turnover	11,289	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	4085-95	4160-70
Previous	4030-40	4105-10
High/low		4250/4150
AM Official	4085-90	4150-55
Kerb close		4155-60
Open int.	61,990	
Total daily turnover	25,315	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5550-60	5400-405
Previous	5550-60	5400-10
High/low		5430/5390
AM Official	5580-70	5400-10
Kerb close		5400-405
Open int.	14,784	
Total daily turnover	4,240	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1013.5-14.5	1038-39
Previous	1010.5-11.5	1035-36
High/low		1045/1036
AM Official	1013.5-14	1038-38.5
Kerb close		1036-37
Open int.	83,099	
Total daily turnover	26,724	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1656-57	1681-82
Previous	1648.5-49.5	1672-73
High/low		1695/1665
AM Official	1648-49	1671.5-72
Kerb close		1683-84
Open int.	170,579	
Total daily turnover	67,862	

■ LME AM Official £/$ rate: 1.6901
LME Closing £/$ rate: 1.6900

Spot: 1.6738 3 mths: 1.6662 6 mths: 1.6589 9 mths: 1.6524

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	77.00	-0.90	77.20	75.50	670	4,357
Oct	76.85	+1.35	76.90	75.40	131	3,169
Nov	77.00	+1.35	77.05	75.60	99	1,589
Dec	77.10	+1.35	77.30	75.30	4,103	30,034
Jan	77.30	+1.35	76.20	75.70	11	2,092
Feb	77.40	+1.30	75.90	75.90	11	1,126
Total					5,305	60,875

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	289.50-289.90		
Opening	289.50-289.80		
Morning fix	290.35	172.91	405.532
Afternoon fix	290.65	173.161	404.875
Day's High	292.30-292.60		
Day's Low	289.50-289.80		
Previous close	289.70-290.20		

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month .... 5.02 6 months 4.00
2 months .... 4.85 12 months 3.61
3 months 4.72

Silver Fix	p/troy oz.	US cts equiv.
Spot	192.93	293.00

Silver Lending Rates
1 month .... 3.50 6 months 1.75
2 months .... 2.75 12 months 1.50
3 months 2.50

Gold Coins	$ price	£ equiv.
Krugerrand	292-296	174-177
New Sovereign	68-72	41-43

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	290.6	-	-	-	-	-
Oct	291.0	-	292.4	291.6	4,591	12,608
Dec	293.4	-	295.7	292.5	21,207	83,821
Feb	295.1	-	296.4	296.8	224	18,892
Apr	296.8	-	297.5	296.7	10	11,639
Jun	298.5	-	299.8	299.0	[illegible]	15,889
Total					26,468	176,479

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	368.5	+1.2	374.0	365.0	1,631	10,044
Jan	369.5	+0.7	374.5	366.0	497	1,590
Apr	370.8	+0.7	369.5	368.5	4	42
Jul	371.6	+0.7	374.0	374.0	-	19
Total					2,131	11,795

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	295.00	-5.50	295.00	295.00	4	85
Dec	290.00	-6.60	293.00	289.00	211	2,700
Mar	287.50	-6.60	-	-	3	328
Total					212	3,113

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	490.5	-0.4	493.5	490.0	26	223
Dec	495.5	-0.5	502.0	490.5	6,099	53,531
Jan	497.5	-0.4	498.5	498.5	1	40
Mar	499.3	-0.3	501.5	496.5	157	8,113
May	501.2	-0.3	505.0	505.0	138	1,695
Jul	503.0	-0.3	510.0	504.5	22	2,580
Total					6,298	73,249

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	14.70	+0.28	14.75	14.32	43,002	88,029
Nov	14.87	+0.26	14.90	14.51	27,292	74,444
Dec	15.00	+0.19	15.05	14.70	8,715	74,795
Jan	15.20	+0.17	15.21	14.92	2,216	42,618
Feb	15.28	+0.08	15.36	15.07	1,297	19,672
Mar	15.38	-0.01	15.52	15.38	1,320	18,405
Total					88,616	482,860

■ CRUDE OIL IPE ($/barrel)

	6pm price	Day's change	High	Low	Vol	Open int
Oct	13.07	+0.22	13.10	12.86	10,437	17,511
Nov	13.40	+0.24	13.45	13.14	30,029	70,924
Dec	13.67	+0.19	13.70	-	10,771	47,786
Jan	13.82	+0.19	13.86	13.59	1,464	36,613
Feb	13.96	+0.17	13.96	13.70	2,269	12,518
Mar	14.09	+0.15	14.09	13.95	[illegible]	10,319
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls., c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	40.65	+0.10	40.70	39.90	1,461	35,394
Nov	41.50	-0.08	41.60	40.90	7,454	30,287
Dec	42.50	-0.08	42.70	42.00	2,358	24,588
Jan	43.45	-0.08	43.55	43.10	1,309	24,490
Feb	44.10	-0.08	44.25	43.70	1,187	18,011
Mar	44.05	-0.23	44.40	44.00	230	16,102
Total					29,838	186,069

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	122.00	-1.25	123.00	121.00	7,913	33,173
Nov	125.00	-1.00	125.25	123.75	5,481	19,954
Dec	127.25	-1.25	127.75	126.25	4,500	39,362
Jan	129.75	-1.50	130.25	129.75	844	16,447
Feb	131.75	-1.25	132.25	131.00	176	12,639
Mar	133.25	-1.50	133.50	133.25	218	7,628
Total					21,500	180,313

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Oct	12.520	-0.020	12.520	12.460	90	3,760
Nov	13.950	-0.040	13.970	13.950	65	2,245
Total					[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	2.060	+0.115	2.060	1.915	29,327	57,947
Nov	2.335	+0.121	2.335	2.190	12,890	35,165
Dec	2.550	+0.093	2.550	2.445	5,283	34,361
Jan	2.620	+0.088	2.625	2.530	2,196	31,007
Feb	2.495	+0.066	2.500	2.430	1,506	19,738
Mar	2.360	+0.055	2.360	2.300	1,135	17,982
Total					55,082	288,719

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	43.95	+0.68	44.00	42.90	21,456	30,655
Nov	44.00	+0.55	44.05	43.10	13,340	23,396
Dec	44.25	+0.28	44.30	43.85	2,185	10,208
Jan	45.10	+0.38	45.10	44.50	736	3,993
Feb	45.55	+0.03	46.00	46.00	321	2,134
Mar	46.10	-	46.10	46.10	334	2,022
Total					38,637	86,410

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	71.75	-	73.50	73.50	-	10
Nov	73.65	-0.05	73.70	73.60	97	2,725
Jan	75.60	-	75.68	75.50	120	2,341
Mar	77.55	-0.05	77.50	77.50	80	1,344
May	79.10	+0.20	79.00	78.90	105	1,276
Total					514	7,983

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	254.25	+5.75	254.00	250.00	770	953
Dec	268.00	+5.00	269.00	262.50	11,314	79,373
Mar	283.25	+4.75	284.50	278.25	1,255	25,234
May	293.25	+5.75	294.50	288.25	150	4,776
Jul	303.50	+5.00	304.00	298.00	532	11,808
Sep	312.00	+7.00	312.50	307.50	25	379
Total					14,091	122,816

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	198.75	+2.00	200.25	195.75	1,858	3,664
Dec	210.25	+2.25	212.00	207.00	29,770	182,648
Mar	223.00	+2.25	224.25	219.75	5,050	61,901
May	230.25	+2.25	231.50	227.25	893	22,878
Jul	236.50	+2.25	237.50	233.00	1,137	31,071
Sep	245.00	+2.75	244.25	240.50	23	5,285
Total					39,808	321,028

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	71.00	-0.50	-	-	-	-
Nov	72.00	-0.50	72.50	72.00	46	950
Jan	74.25	-0.40	75.00	74.50	35	421
Mar	75.75	-0.50	-	-	-	60
May	76.75	-0.50	-	-	-	23
Total					81	1,464

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	532.00	+2.25	532.50	527.00	877	1,954
Nov	534.25	+3.00	535.00	528.00	34,636	91,157
Jan	544.75	+3.75	545.50	538.25	3,159	24,545
Mar	555.50	+3.75	556.00	549.00	1,539	17,475
May	564.75	+3.75	565.50	560.50	863	7,766
Jul	574.25	+4.00	574.50	568.00	1,117	10,057
Total					42,808	157,038

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	25.11	-0.09	25.30	24.98	1,477	1,310
Oct	25.16	-0.09	25.40	25.02	7,368	25,896
Dec	25.48	-0.12	25.72	25.31	16,478	46,384
Jan	25.55	-0.09	25.68	25.44	689	9,683
Mar	25.56	-0.12	25.65	25.42	872	14,213
May	25.54	-0.14	25.60	25.42	618	6,392
Total					28,098	112,888

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	133.0	+1.6	133.0	130.7	1,405	3,844
Oct	132.1	+1.7	132.5	129.7	4,324	24,363
Dec	134.8	+2.0	135.0	132.3	[illegible]	[illegible]
Jan	136.7	+2.1	136.9	134.5	698	14,636
Mar	140.9	+2.3	140.9	138.6	832	13,047
May	144.4	+2.4	145.0	142.2	429	6,959
Total					14,444	138,018

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	80.0	-	-	-	-	3
Mar	123.0	-	-	-	-	-
Apr	154.0	-9.0	160.0	154.0	88	2,152
May	164.0	-9.0	-	-	6,500	29
Jun	174.0	-9.0	-	-	-	-
Total					88	2,152

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	880	-5	880	880	29	148
Oct	950	-20	965	950	39	505
Jan	980	-15	980	980	22	396
Apr	1015	-10	995	995	-	201
Jul	900	-10	-	-	-	200
Total					161	1,710

	Close	Prev
BFI	867	859

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	435.00	+0.50	435.00	435.00	5	359
Mar	470.00	+7.50	470.00	464.50	54	84
Total					72	[illegible]

FUTURES DATA
All futures data supplied by CMS

Tea from the Tea Brokers' Association Mombasa There was good general demand. Some selected BPIs were firmer but others and mediums were easier by about 4 cents to 8 cents. Lower mediums opened firm but eased later in the sale. Plainer sorts, however, were dearer. Brighter PFIs were irregular and selectively dearer following quality, with mediums overall firm to dearer. Lower mediums sold at firm to dearer rates. Neater plainer sorts were firm but fibrous types tended easier. Brighter P.Dusts continued very irregular and were selectively dearer following quality. Mediums were also irregular but on balance firm.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1008	-20	1016	1010	13	61
Dec	1039	-20	1055	1039	3,718	68,934
Mar	1069	-19	1083	1069	2,707	40,511
May	1089	-17	1101	1089	502	14,972
Jul	1109	-15	1119	1108	215	9,236
Sep	1129	-13	1134	1127	881	27,370
Total					8,128	170,886

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1528	-30	1543	1539	11	191
Dec	1563	-21	1570	1560	4,393	33,911
Mar	1603	-23	1611	1602	412	18,944
May	1629	-33	1639	1638	34	6,049
Jul	1658	-23	1682	1682	44	1,817
Sep	1682	-23	1700	1706	10	1,681
Total					4,949	70,737

■ COCOA (ICCO) (SDR's/tonne)

Sep 14	Price	Prev. day
Daily	1254.59	1242.86

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1864	-	1866	1852	222	1,978
Nov	1079	+6	1622	1596	1,886	20,807
Jan	1560	-1	1567	1580	828	8,147
Mar	1530	-3	1540	1525	477	2,605
May	1513	-3	1522	1510	44	553
Jul	1503	-3	1510	1610	21	191
Total					[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	111.30	+4.30	110.00	108.50	123	340
Dec	104.60	+2.90	104.75	102.50	7,720	15,593
Mar	103.45	+1.95	103.70	102.10	1,417	6,950
May	104.25	+1.75	104.25	103.00	288	3,196
Jul	105.25	+1.60	105.60	104.50	540	1,459
Sep	106.35	+1.20	106.50	106.00	286	1,015
Total					10,388	28,897

■ COFFEE (ICO) (US cents/pound)

Sep 14		Prev. day
Comp. daily	93.22	95.43
15 day average	93.14	89.37

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	211.3	-2.2	219.6	208.8	2,480	3,451
Dec	216.1	-2.2	218.9	215.0	2,409	15,029
Mar	222.4	-1.8	224.9	221.0	1,307	14,350
May	226.9	-2.2	229.6	226.8	324	2,640
Aug	232.9	-2.4	235.5	232.6	130	1,475
Oct	236.6	-2.0	236.0	236.0	30	1,160
Total					5,467	38,241

■ SUGAR "11" CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	7.15	+0.12	7.16	6.95	8,823	60,974
Mar	7.67	+0.03	7.71	7.57	6,166	64,050
May	7.84	+0.01	7.88	7.75	513	9,689
Jul	7.95	+0.01	7.96	7.90	162	7,129
Oct	8.24	-	8.23	8.22	56	9,010
Total					15,764	157,208

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	73.30	-0.38	74.20	73.25	787	2,548
Dec	74.08	-0.19	75.29	74.55	7,058	35,734
Mar	74.32	-0.04	74.74	74.15	2,027	20,361
May	74.15	-0.15	74.50	74.10	108	10,208
Jul	74.60	-	75.00	74.50	90	6,522
Total					10,212	84,602

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	110.35	+0.80	111.00	108.50	2,585	15,307
Jan	114.00	+1.25	114.00	111.60	620	6,561
Mar	116.40	+0.90	116.90	114.80	180	3,111
May	118.55	+0.30	118.60	117.00	15	729
Jul	121.30	+0.30	-	-	5	352
Sep	122.30	+0.30	-	-	-	36
Total					3,396	26,130

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Sep 15	Sep 14	month ago	year ago
1466.4	1477.7	1523.3	1908.9

■ CRB Futures (Base: 1967 = 100)

Sep 14	Sep 11	month ago	year ago
201.58	201.50	-	-

■ GSCI Spot (Base: 1970 = 100)

Sep 14	Sep 11	month ago	year ago
147.82	146.43	142.88	195.96

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+3,900	to	477,400
Aluminium alloy	-	to	77,120
Copper	+8,925	to	382,975
Lead	+1,300	to	114,575
Nickel	+36	to	58,328
Zinc	-3,000	to	383,750
Tin	[illegible]	to	7,855

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
Oct	62.125	+0.850	62.250	61.275	15,820	31,852
Dec	64.375	+0.725	64.475	63.400	10,154	30,358
Feb	64.075	+0.475	64.200	63.325	2,732	18,761
Apr	65.075	+0.325	65.125	64.850	1,501	7,847
Jun	62.550	+0.100	62.650	62.300	498	4,937
Aug	62.350	+0.100	62.500	62.250	290	1,225
Total					30,869	91,619

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
Oct	41.175	+1.750	41.250	40.050	3,978	13,904
Dec	40.875	+1.350	40.975	39.900	2,737	12,991
Feb	45.000	+0.825	45.600	44.650	487	5,120
Apr	47.050	+0.750	47.550	46.400	98	1,736
Jun	55.900	+0.560	56.000	55.400	31	696
Jul	56.400	+0.375	56.500	55.850	48	489
Total					7,422	36,417

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
Feb	47.350	+2.750	47.500	44.800	1,209	2,746
Mar	46.850	+2.350	47.300	46.400	28	130
May	47.800	+1.250	47.800	47.500	4	17
Total					1,257	2,924

LONDON TRADED OPTIONS

Strike price $ tonne	— Calls —		— Puts —	
■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1350	44	74	31	42
1400	23	49	68	67
1450	10	[illegible]	95	98
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
1600	100	132	28	52
1700	46	80	74	98
1800	17	48	144	161
■ COFFEE LIFFE	Sep	Nov	Sep	Nov
1600	31	53	1	34
1650	1	31	21	62
1700	1	17	70	98
■ COCOA LIFFE	Sep	Dec	Sep	Dec
1025	25	40	1	26
1050	4	28	4	[illegible]
1075	.1	19	25	55
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
1250	-	-	38	-
1300	68	-	-	-
1350	47	78	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$12.53-2.66x	+0.080
Brent Blend (dated)	$12.66-2.71	+0.055
Brent Blend (Oct)	$13.11-3.16	+0.055
W.T.I.	[illegible]	+0.190

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$149-151	+0.5
Gas Oil	$123-125	-1
Heavy Fuel Oil	$60-61	
Naphtha	$123-126	+6
Jet fuel	$138-139	-1
Diesel	$134-135	-1

■ NATURAL GAS (Pence/therm)

Bacton (Oct)	12.50-12.53	-0.01

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

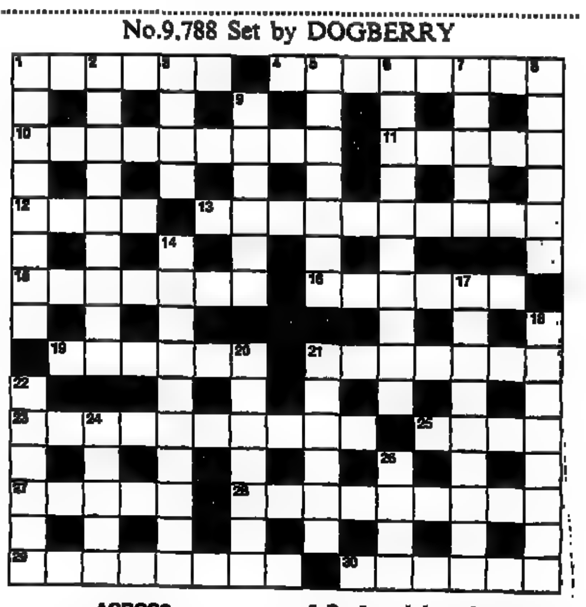
Gold (per troy oz)♣	$289.70	-0.25
Silver (per troy oz)♣	495.50c	-1.00
Platinum (per troy oz.)	$369.50	+7.50
Palladium (per troy oz.)	$288.00	-3.00
Copper	84.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	20.23r	
Tin (New York)	260.5	
Cattle (live weight)	79.55p	-3.32*
Sheep (live weight)	78.78p	-3.79*
Pigs (live weight)†	39.57p	-0.76*
Lon. day sugar (raw)	$172.10	-7.70
Lon. day sugar (wte)	$209.80	-13.20
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Oct)♥	47.00p	
Rubber (Nov)♥	47.50p	
Rubber (KL RSS No1)	258.50m	+1.50
Coconut Oil (Phil)§	[illegible]	-5.0
Palm Oil (Malay.)§	675.0	+10.0
Copra (Phil)§	$415.0y	
Soyabeans (US)	150.0y	
Cotton Outlook'A' Index	65.95	
Wooltops (64s Super)	300p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Aug/Sep x Sep. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 3,338 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,788 Set by DOGBERRY



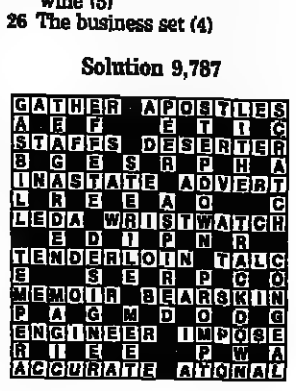
ACROSS

1 Go back in time – generations back (6)
4 Whereby notion may be imaged or represented (8)
10 River enters Serpentine causing distress (9)
11 Prophet to take part (5)
12 Compiler fled the country (4)
13 Month-old sienna mixed into sauce (10)
15 They accept foreign regimes (7)
16 It makes no sense to use a ear plate (6)
19 A lot of coins I left in the drawer (6)
21 Mineral flares up violently when uranium's extracted (7)
23 Old physician to run into buddies (American) (10)
25 Being born to improvise, get the post (4)
27 It's acceptable to accept plaything going west in Japan (5)
28 A madman seizing girl's transatlantic bric-a-brac (9)
29 Local team left in UK (8)
30 Stop devil gaining endless paradise (6)

DOWN

1 Deposit old servant (8)
2 Account for arrival in the local (9)
3 Surfeit of lampreys initially fills the belly (4)
5 Conflict on the way to the dance (7)
6 Professed love having reason to embrace model (10)
7 Teacher's pet almost (5)
8 Female superior, perhaps to male alien (6)
9 Swamp with gold in bulk (9)
14 Starting early, officer's invaluable (10)
17 Eased off carrying map of open space (9)
18 Pastime for bone-carrier in church (8)
20 Religious dissenter putting the all back into the Almighty? (7)
21 Source of liquid with bend in surface (6)
22 Expressed point on radius (6)
24 European assent to European river of European wine (5)
26 The business set (4)

Solution 9,787



FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

WMC to cut production at three Kambalda mines

FRUIT AND VEGETABLES

Sharp fall in Indian output

CROSSWORD

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Init Notes Selling Buying +or Yield
Chrge Price Price - Gr's

Bank Von Ernst & Cie AG
Marktgasse 63/65, 3001 Berne, Switzerland 0041 313291111

For Banque Indosuez see Credit Agricole Indosuez

Barclays Diversified Portfolio (z)
50 avenue J.F. Kennedy, L-2951 352 4799 2939

Barclays Inv Funds (Luxembourg)
25 Place de la Gare, L-1616 00 352 404344

Equity Funds

GT Global
(44) 171 710 4567 London (852) 2842 7200 Hong Kong

	Selling Price	Buying Price	+or -	Yield Gross
GT Europe A	$82.40	98.71	+1.01	0.00
GT Europe A	£52.57	58.49	+0.60	0.00
GT Europe B	$95.18		+1.07	0.00
GT Europe B	£56.04		+0.60	0.00
GT Investment A	$36.10	38.08	+0.45	2.44
GT Investment A	£21.58	22.80	+0.27	2.44
GT Investment B	$36.48		+0.46	2.43
GT Investment B	£21.71		+0.27	2.43
GT US Small Cos A	$36.11	38.01	+0.50	0.00
GT US Small Cos A	£21.49	22.62	+0.29	0.00
GT US Small Cos B	$36.42		+0.49	0.00
GT US Small Cos B	£21.67		+0.49	0.00
Asian Equity	$13.84	14.61	+0.10	-
North American Equity	$22.55	23.80	+0.33	0.00
Pan-European Equity	$23.11	24.40	+0.33	-
UK Smaller Cos	$17.26		[illegible]	-

HSBC Investment Funds Luxembourg SA (u)
7 rue du Marche-aux-Herbes L-1728 Luxembourg

HSBC Global Investment Funds

International and Regional Funds

Market Specific

Bond and Reserve Funds

Henderson Management SA (u)

Henderson Horizon Fund

Mercury Asset Management - Contd.

Mercury World Bond Fund - SICAV (u)

Morgan Stanley Sicav
C/O First European Transfer Agent S.A.
11 Boulevard Grand-Duchesse Charlotte
L-1331 Luxembourg

ACM Offshore Funds - Contd.

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management - Contd.

UBS AG - Contd.

Vanguard Europe Limited

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

صكنا من الاجل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Royal Skandia Life Assurance Ltd (z)

BEA Associates

Julius Baer Bank & Trust Co Ltd

Banca Belg. S.A. (Principality of Andorra)

Banco do Brasil–BB Fund

Banc Internacional D'Andorra Banca Mora

Bank of America

Bank of Nova Scotia Trust Co (Cayman) Ltd

Bank Von Ernst & Cie AG

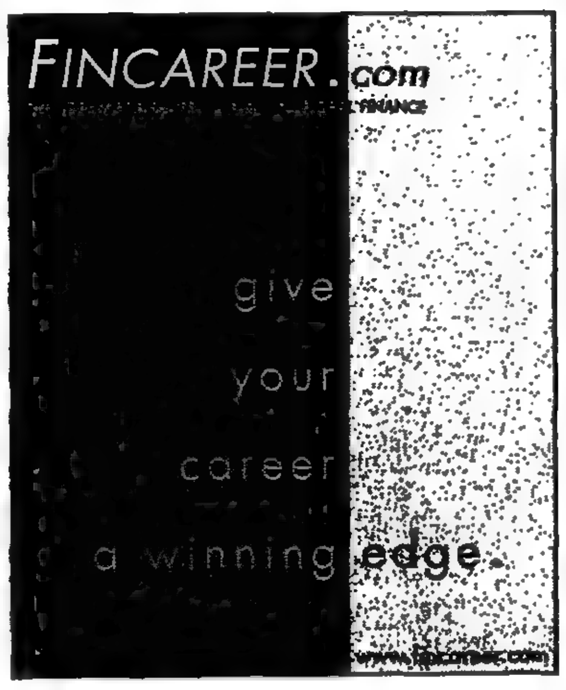
Deutsche Bank A.G.

Discover Investment

Dragon Securities Ltd

Dresdner Bank Investment Group

Global Asset Management



OTHER OFFSHORE FUNDS

AXA Asset Management

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

صبكتا من الاجل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Continued

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Continued

[illegible]

RETAILERS, GENERAL - Continued

[illegible]

SUPPORT SERVICES

[illegible]

PROPERTY - Continued

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES - Continued

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Continued

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Continued

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

TRADED INDEX SECURITIES

	Notes	Price	+or -	52 week high	low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRAKS	[illegible]	[illegible]	—	[illegible]	[illegible]	-	-	-

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by [illegible], part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. [illegible] Electronic Trading System ("SETS"). [illegible]

Trading volumes are end of day accumulated totals. [illegible] securities are based on London trading.

[illegible] Exchange prices.

Symbols referring to dividend status appear in the notes column [illegible] published on Monday.

Earnings used in calculations are based on [illegible] formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. [illegible]

[illegible]

FT Free Annual Reports Club

[illegible]

FT Cityline

[illegible]

Interest rate hope and Wall St gain boost shares

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Some soothing words from Eddie George, governor of the Bank of England, about the potential for a shift in interest rate policy, plus a recovery on Wall Street, produced a rebound in UK stocks yesterday.

The FTSE 100 index was in negative territory for much of the session. But in the last 30 minutes of trading, Wall Street's rally, which saw the Dow Jones Industrial Average move into positive ground, plus Mr George's comments, saw Footsie race ahead to finish 13.1 up at 5,281.7.

Earlier, London's equity market had to cope with persistent bouts of profit-taking that drove prices lower, in spite of good news on UK inflation that showed the core figure for August had reached the government's target of 2.5 per cent.

The inflation details were interpreted by some as opening the way for a reduction in UK interest rates, possibly at the next meeting of the Bank's monetary policy committee, on October 8.

And all the European markets had generally ignored the statement from the Group of Seven finance ministers, promising concerted action to stimulate their economies if necessary.

Much of the blame for the widespread selling pressure in the leaders was laid squarely on Wall Street, which closed well below its session high overnight.

At its best on Monday the Dow posted a gain of more than 200 points, before coming off to finish 149 higher.

The positive performance of the market's leading stocks did not follow through into the rest of the market, however.

The second-liners, generally boosted at the start of trading, encountered some keen profit-taking too, leaving the FTSE 250 index 13.4 lower at 4,723.3, not far short of its session low of 4,719.9.

And the FTSE SmallCap also gave ground, an early modest advance giving way over lunchtime and leaving the index 4.1 lower at 2,089.9.

Comments by Mr George speaking to the trade unions that the monetary policy committee would move quickly to reduce rates if the inflationary threat was removed, gave heart to a market looking for a good excuse to rally.

"It was really a very quiet day in the market. We were looking for an excuse to rally after a dismal morning," said one marketmaker.

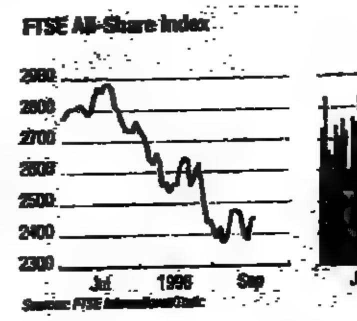
He said the early sell-off reflected Wall Street's disappointing finish on Monday, coupled with fears that London's 150-point gain would have triggered some determined profit-taking.

But activity in the market proved disappointing, the 6pm cut-off point revealing turnover of only 816.8m shares, well below recent levels and a clear indicator of the market's uncertainty. Non-FTSE 100 stocks accounted for 55 per cent of overall business.

The telecoms arena was the focus of the buyers' attention for much of the day, with institutions still chasing the sector on the basis of continuing excellent growth in subscriber lists.

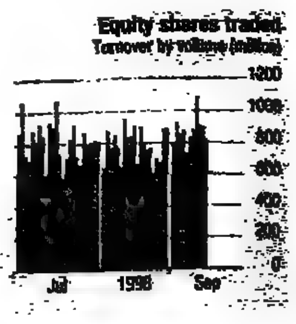
The advance of Abbey National's market capitalisation, which topped Barclays' for the first time, was seen as a classic demonstration of the value of purely domestic earnings during times of global economic stress.

FTSE All-Share Index



Source: FTSE International/Datastream

Equity shares traded
Turnover by volume (million)



Indices and ratios

FTSE 100	5281.7	+13.1	FT 30	3286.0	-5.2
FTSE 250	4723.3	-13.4	FTSE Non-Fins p/e	20.93	20.91
FTSE 350	2522.0	+3.9	FTSE 100 Fut Sep	5275.0	+9.0
FTSE All-Share	2444.89	+1.33	10 yr Gilt yield	5.20	5.28
FTSE All-Share yield	3.22	3.22	Long gilt/equity yld ratio	1.62	1.62

Best performing sectors

1 Extractive Industries +3.5
2 Telecommunications +3.0
3 Gas Distribution +2.1
4 Transport +1.4
5 Paper,Pckg & Printing +1.2

Worst performing sectors

1 Chemicals -3.0
2 Engineering -2.4
3 Breweries,Pubs & Rest -2.3
4 Household Goods -2.2
5 Leisure & Hotels -2.0

Abbey overtakes Barclays

COMPANIES REPORT

By Joel Kibazo and Martin Brice

The contrasting fortunes of two of the UK's largest retail banking groups was on display yesterday.

Champagne corks were popping at Abbey National as the group's shares soared 24 to £11.99 in trade of 2.7m. The move in the stock saw Abbey, which has a substantial slice of the UK mortgage business, overtake Barclays in the league table of the country's biggest banks by market capitalisation.

At yesterday's close, Abbey was capitalised at £16.9bn against £16.5bn for Barclays which fell 26 to £10.90 as dealers indicated the turbulence in emerging markets had rekindled interest in companies with domestic earnings.

A press report yesterday heightened concerns over Barclays' exposure to turbulent global financial markets. The report said Barclays Capital, the group's investment arm, was having problems financing a £350m exposure to the European leveraged buy-out sector because of turmoil in the European bond market.

The report came two weeks after Barclays announced provisions of £325m to cover its Russian exposure and resulting falls in other markets, well above the expected £100m level.

In the rest of the banks, Halifax rose 15 to 763p, and Woolwich 13¼ to 353¼p.

ICI shares fell to their lowest level for more than five years amid the latest round of downgrades to profit forecasts, as some analysts predicted the shares have much further to fall.

They were among the worst performers in the Footsie as they lost 35 to 520p in busy dealings of 8.2m shares. The stock was at £12.14 in May.

They have almost halved against the FTSE All Share in the past 12 months, and bears now predict a £300m full-year pre-tax result. That would be less than a third of the figure it reported in 1995.

The most recent downgrade was by Merrill Lynch, which on Monday cut this year's forecasts by 11 per cent to £320m.

Martin Evans at Sutherlands said: "It may not be over yet as traditionally in the chemicals sector, events worsen before they get better. In the absence of US fund buying, the shares may fall further because even at this level they are expensive relative to other international chemicals stocks. Given the current disillusionment with the company, they may fall to 450p before stabilising."

The poor sentiment on the sector spread to other chemical companies, with Albright & Wilson off 3¼ at 85½p and Laporte down 18½ at 494p.

There were few supporters of troubled food distributor Booker as the shares tumbled following an announcement that food retailer Budgens had withdrawn from merger talks. Yesterday's news was the latest in a string of setbacks for Booker which has issued several profit warnings this year.

Budgens only entered into talks with Booker after food retailer Somerfield pulled out of talks over a cash bid that analysts had expected to be between 290p and 330p a share. Somerfield's retreat sparked concerns about Booker's trading position.

However rumours in the market suggested the talks had been called off because of the decline of Booker's shares since talks with Budgens began.

In early January the shares stood at 353½p, but yesterday brought a further bout of selling which saw them close 28 or 19.2 per cent down at 117½p, by far the worst performer in the FTSE 250. The chairman yesterday bought 10,000 shares at 117p.

Relief that Budgens had walked away from a merger saw its shares improve 3½ to 73½p, while rival supermarket group Somerfield was steady at 445½p.

A feeling that telecom stocks had been oversold in recent sessions saw them outperform the FTSE 100 yesterday. Cable & Wireless, which said it had completed the purchase of the internet business of MCI Communications, appreciated 20 to 570p while British Telecommunications gained 21 to 821p.

Among mobile operators, Orange gained 18 to 630p, and Vodafone Group rose 32 to 837p.

Shares in Telewest Communications firmed 5½ to 143p as US group MediaOne International Holdings lifted its stake in the company through a purchase from Southwestern Bell. A company statement said the exact number of shares to be acquired is to be determined in the coming weeks.

Sterling's further weakness against the D-Mark failed to help leading engineering stocks recover as fears of slowing global growth took their toll.

Although the pound closed at DM2.82, well below its recent levels, Siebe's shares declined 11 to 205p, while BTR was down 5 at 115p. Smiths Industries dropped 22 to 755p and LucasVarity 5½ at 194p.

Nor was the decline limited to Footsie stocks: several of the worst FTSE 250 performers were engineers. The worst was Cobham, off 52¼ at 732½p.

Housebuilder Redrow was up 2 at 145p as it exceeded expectations by reporting a pre-tax profit rise of 34 per cent to £48.2m. It said: "Pressure on building costs, which at one time were threatening margins, is easing."

P&O was up 10 to 675p on hopes it would soon dispose of its Bovis Construction subsidiary, valued at £350m.

Instruments group Servomex fell 40 to 147½p after a fall in profits and a cautious trading statement. Earlier this year the shares reached 373p. The company focused on the strength of sterling and said: "In common with the majority of manufacturing exporters, we are finding current economic circumstances worldwide are adversely affecting our short-term prospects."

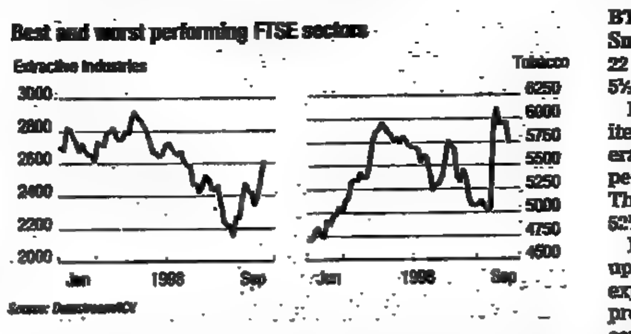
There was brisk trade of 3.7m in Pilkington, with the rise of a penny to 66p suggesting the slide from 148p earlier this year may have steadied. There was talk that US value investors were hunting for stock on hopes the company may be the subject of a bid.

A note from Mike Betts, construction industry analyst at Goldman Sachs, said: "We are retaining our trading buy rating on the shares, estimating that Pilkington's assets would cost 156p per share to replace, 2.4 times the current share price."

He has reduced his pre-tax forecast by £17m to £153m for this year "due to the increasingly difficult conditions in Latin America".

Whitbread fell sharply in thin trading, closing 53 or 6.4 per cent down at 771p.

Best and worst performing FTSE sectors



Source: Datastream/ICV

FT 30 INDEX

	Sep 15	Sep 14	Sep 11	Sep 10	Sep 9	Yr ago	*High	*Low
FT 30	3286.0	3271.2	3187.3	3217.9	3334.6	3172.3	3984.0	3216.8
Ord. div. yield	3.27	3.263	3.35	3.32	3.20	3.56	4.22	[illegible]
P/E ratio net	20.51	20.50	20.01	20.20	20.92	20.66	25.41	15.80
P/E ratio nil	20.42	20.42	19.93	20.12	20.83	20.36	25.19	15.71

FT 30 since compilation: high 3920.3 11/05/98, low 49.4 26/06/40 Base Date 1/7/35.

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3271.2	3269.4	3243.9	3230.8	3228.4	3226.4	3235.7	3246.0	3285.1	3216.8

STOCK MARKET TRADING DATA

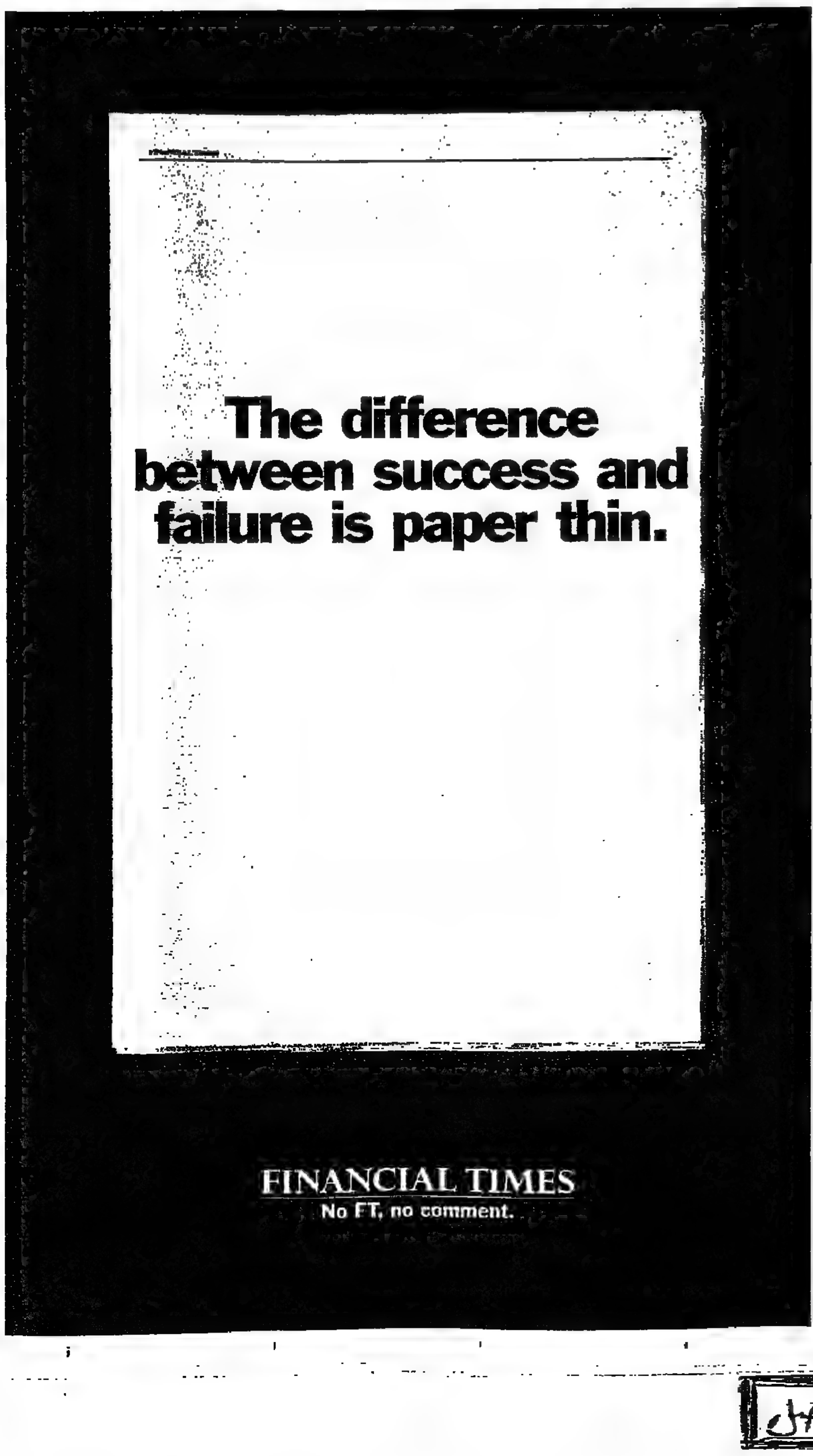
	Sep 15	Sep 14	Sep 11	Sep 10	Sep 9	Yr ago
SEAQ bargains	57,400	62,389	68,768	59,008	53,280	38,948
Equity turnover (£m)†	-	2875.3	3742.1	2777.5	2674.2	1802.5
Equity bargains†	-	47,039	48,159	41,482	42,580	36,841
Shares traded (m)†	-	840.0	1011.5	822.4	751.0	609.4
Total market bargains‡	-	62,778	65,568	60,240	55,002	-
Total turnover (£m)‡	-	3833.3	4843.2	4051.5	3614.8	-
Total shrs traded (m)‡	*816.4	1048.1	1405.9	1186.1	978.2	-
Tradepoint turnover (£m)	17.4	31.1	40.6	35.2	32.3	0.0
Tradepoint shrs traded(m)	8.8	11.5	12.2	10.2	10.4	0.8

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	738	Total Highs	65	Total contracts	48,286
Total Falls	727	Total Lows	147	Calls	26,453
Same	1,500			Puts	21,833

Sep 15 *Data based on Equity shares listed on the London Share Service.



FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	5245.0	5275.0	+9.0	5290.0	5192.0	57436	120028
Dec	5320.0	5350.0	+10.0	5360.0	5267.0	40757	120815
Mar		5386.0	+8.0			0	1941

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4730.0	4730.0	-10.0	4730.0	4730.0	8	878
Dec	4789.0	4790.0	-10.0	4799.0	4775.0	10	7055

FTSE 100 INDEX OPTION (LIFFE) (*5272) £10 per full index point

	5100 C	5100 P	5150 C	5150 P	5200 C	5200 P	5250 C	5250 P	5300 C	5300 P	5350 C	5350 P	5400 C	5400 P	5450 C	5450 P
Sep	189½	18½	140½	25½	112½	39	72½	58½	52½	81	33	114	18	155½	9½	205
Oct	362½	153½	314½	168	283	187½	252½	207½	222	227½	181½	248½	184½	275	142½	303½
Nov	457½	238½	426½	256	385½	275½	365	296	334	315	303	335	272	356	247	383
Dec	581	259½	518½	314	488	328½	465	347	424	367	382½	387	361½	405½	331½	431½
Jun†	842½	531			708	574			735	817½			882½	882		

Calls 3,886 Puts 1,880

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	5125 C	5125 P	5175 C	5175 P	5225 C	5225 P	5275 C	5275 P	5325 C	5325 P	5375 C	5375 P	5425 C	5425 P	5475 C	5475 P
Sep	170½	20½	131½	31½	97½	47½	66½	66½	46½	95½	28	128	16	166	6½	206½
Oct	338½	161½	298½	177½	264	194½	233½	213½	204½	234½	177½	257	152½	281½	129½	306½
Nov	446½	252	412	268	378½	284½	348	303	318½	322	290	343	262½	365½	237	388
Dec	525	304½	491	319½	460	335½	427	363½	390½	375	360	393½	330½	413	318½	433½
Mar†	665½	435½			600½	466			570	501½			518	544		

Calls 16,199 Puts 11,724 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div	Div. cov.	Grs yld	P/E net
*	F.P.	10,606	889	826½	Alld Zurich	871	-19	W17.7c	3.3	1.6	19.0
*	F.P.	0.38	12½	8	Chaucer A Wts	12½		-	-	-	-
100	F.P.	1,782	192½	145	Coca-Cola Bev	167	+12	-	-	-	-
-	F.P.	-	38	32½	Enterprise Oil 8 Pf	36½		-	-	-	-
-	F.P.	-	143½	80	GEC Pst Wts	86	-½	-	-	-	-
§130	F.P.	118.8	128½	120½	Kiln	122½		W-	-	-	14.5
-	F.P.	373.7	96	89	MEPC [illegible]	89		-	-	-	-
-	F.P.	14.3	114½	100½	†[illegible]	112½		13.8	-	4.0	-
§	F.P.	4.80	16	12	Murray Extra Inc Cap	14		-	-	-	-
†100	F.P.	29.1	108	99	Do Inc	106½		17.95	-	9.3	-
§	F.P.	23.0	100½	98½	Do Zero Div Pf	99		-	-	-	-
§32	F.P.	4.02	32½	28½	†Parallel Pictures	28½		-	-	-	-
§95	F.P.	4.05	99½	92½	†Private & Comm Fin	95		10.6	-	1.2	15.6
*	F.P.	17.2	45½	37½	†Sadra Petroleum	42½		-	-	-	-
*	F.P.	4.00	103½	100½	†[illegible]	80½		-	-	-	-
-	F.P.	-	34	20½	Syndicate Cap Wts 98/02	21½		-	-	-	-
§	F.P.	148.8	520½	503½	Tribune IT Index	507	+1	-	-	-	-
-	F.P.	-	33½	32½	Walter Greenbank B	33		-	-	-	-
§2	F.P.	2.46	2½	2½	†Winslow	2½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998 High	1998 Low	Stock	Closing price p	+or-
820	Nil	28/9	3½pm	3¼pm	Cammell Laird	3½pm	
10.25	Nil	5/10	3½pm	1½pm	Tadpole Tech	1½pm	

pm premium.

FTSE GOLD MINES INDEX

	Sep 14	% chg on day	Sep 11	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (27)	984.29	-0.5	989.71	1340.46	2.04	-	1636.46	701.86
Regional Indices								
Africa (9)	1089.56	-0.6	1139.43	1347.84	4.50	42.32	1628.29	785.83
Australasia (7)	1081.37	+1.6	1064.79	1462.45	2.98	7.44	1609.85	815.93
Americas (11)	913.70	-3.2	943.88	1344.71	0.75	53.32	1574.16	647.69

Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Sep 15	Day's chge%	Sep 14	Sep 11	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5281.7	+0.2	5268.6	[illegible]	4976.4	3.12	2.65	1.97	20.31	114.89	2326.30
FTSE 250	4723.3	-0.3	4736.7	4697.3	4642.8	3.44	2.92	2.03	17.88	101.36	2037.67
FTSE 250 ex Inv Tr	4779.3	-0.3	[illegible]	4758.2	4655.4	3.53	3.00	2.10	16.86	104.70	2089.96
FTSE 350	2522.0	+0.2	[illegible]	2455.4	2393.7	3.18	2.70	1.98	19.83	54.70	2268.30
FTSE 350 ex Inv Tr	[illegible]	+0.2	2525.6	2462.6	2395.4	3.19	2.71	2.00	19.64	55.12	1167.58
FTSE 350 Higher Yield	2444.8	—	2445.3	[illegible]	2326.4	4.27	3.63	1.90	15.38	68.26	1863.15
FTSE 350 Lower Yield	2602.2	+0.3	2594.4	[illegible]	2466.4	2.31	1.96	2.18	25.76	43.77	1900.45
FTSE SmallCap	2089.92	-0.2	2093.96	2088.05	[illegible]	3.87	3.15	1.94	18.59	43.38	1828.57
FTSE SmallCap ex Inv Tr	2085.63	-0.2	2090.59	2087.80	2259.06	4.12	3.36	2.04	14.87	45.24	1843.85
FTSE All-Share	2444.89	+0.1	2441.56	[illegible]	[illegible]	3.22	2.72	1.98	19.63	52.87	2232.45
FTSE All-Share ex Inv Tr	2456.28	+0.1	2452.77	2394.14	2341.46	3.23	2.74	2.00	19.35	53.48	1153.99

FTSE Actuaries Industry Sectors

	Sep 15	Day's chge%	Sep 14	Sep 11	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(32)	4030.02	+0.3	4018.04	3868.77	4949.49	3.67	3.28	1.68	20.29	93.29	1882.75
12 Extractive Industries(8)	2605.94	+3.5	2516.89	2390.25	4107.76	6.35	4.92	2.00	11.70	100.28	830.32
15 Oil, Integrated(4)	4629.60	-0.2	4636.73	4474.33	5294.38	3.93	3.14	1.65	21.48	98.59	2199.60
18 Oil Exploration & Prod(12)	2064.19	+1.1	2042.11	1949.69	3761.69	2.62	2.29	0.98	48.30	45.60	1291.09
20 GEN INDUSTRIALS(218)	1660.01	-1.3	1682.40	1669.14	2080.22	4.40	3.88	2.21	12.86	47.00	983.82
21 Construction(33)	1221.50	-0.7	1230.89	1221.74	1379.62	4.14	3.35	2.84	10.61	25.84	1094.78
22 Building Matls & Merchs(29)	1365.15	-0.2	1367.73	1357.58	1665.87	5.30	4.63	2.08	11.35	42.08	759.71
23 Chemicals(22)	1872.98	-3.0	1930.13	1932.83	2884.30	5.20	4.83	1.70	14.12	63.29	987.78
24 Diversified Industrials(7)	965.31	-0.2	967.25	962.37	1481.56	5.98	5.57	2.10	9.94	56.21	810.94
25 Electronic & Elect Equip(29)	2451.09	—	2450.97	2438.64	2171.67	3.11	2.53	1.82	22.07	53.78	1368.81
26 Engineering(63)	2128.17	-2.4	2180.85	2160.45	2817.23	4.90	4.00	2.28	12.28	59.19	1383.53
27 Engineering, Vehicles(11)	3210.80	-1.7	3266.82	3257.91	3304.20	2.77	2.94	3.25	13.86	58.53	1778.03
28 Paper, Pckg & Printing(22)	1564.40	+1.2	1545.86	1542.68	2233.60	5.67	5.16	2.43	9.07	63.15	716.54
30 CONSUMER GOODS(90)	5423.52	-0.1	5431.01	5288.30	4550.74	2.64	2.33	1.78	26.62	100.12	2156.04
32 Alcoholic Beverages(6)	3274.01	-1.2	3312.43	3085.10	3280.38	4.14	3.50	1.60	18.92	69.61	1283.53
33 Food Producers(25)	3486.20	-1.7	3545.29	3485.13	3005.18	3.00	2.57	2.13	19.56	69.85	1899.06
34 Household Goods & Texts(24)	2581.62	-2.2	2357.82	2437.52	3159.44	4.18	3.70	1.92	15.54	55.83	1057.35
36 Health Care(13)	2194.94	-0.8	2212.81	2198.85	2204.85	2.34	2.16	2.19	24.44	32.15	1407.94
37 Pharmaceuticals(19)	9549.40	+0.8	9474.07	9249.06	7380.93	1.84	1.72	1.59	42.89	155.31	3437.61
38 Tobacco(3)	5900.00	-0.9	5951.93	5852.98	4312.78	5.91	4.73	1.98	10.77	130.10	1651.35
40 SERVICES(270)	3260.51	+0.7	3238.21	3168.41	2778.75	2.63	2.16	2.03	23.40	53.95	1804.42
41 Distributors(28)	1958.55	-0.5	1967.72	1858.59	2796.06	5.06	4.18	1.97	12.55	62.04	777.73
42 Leisure & Hotels(27)	2825.69	-2.0	2883.84	2820.71	3206.12	3.34	2.80	2.61	14.33	75.34	1811.46
43 Media(40)	4015.24	-0.1	4021.17	3883.95	4233.89	2.60	2.19	2.14	22.42	76.86	1530.50
44 Retailers, Food(13)	3000.80	+0.5	2986.08	2946.58	2448.27	3.02	2.42	2.12	19.53	55.28	2057.00
45 Retailers, General(48)	2127.94	-0.4	2135.40	2099.81	2247.38	3.49	2.80	2.18	16.41	48.20	1308.05
46 Telecommunications(9)	4603.72	+3.0	4468.83	4361.92	2334.70	1.88	1.55	1.49	44.86	47.70	2258.08
47 Breweries, Pubs & Rest.(24)	3445.88	-2.3	3525.04	3479.53	3356.84	3.57	2.87	2.36	14.80	65.00	1788.76
48 Support Services(54)	4278.66	-0.1	4282.48	4185.43	3230.29	1.47	1.24	2.89	31.73	32.71	2822.64
49 Transport(24)	3373.30	+1.4	3327.16	3289.80	2970.38	3.14	2.60	1.85	24.14	69.42	1516.05
60 UTILITIES(22)	4173.10	+0.1	4170.89	4055.92	3100.22	3.86	3.18	1.77	18.33	92.24	2012.53
62 Electricity(8)	4523.23	-0.5	4546.38	4457.93	3555.73	4.45	3.58	1.90	14.80	113.98	2675.20
64 Gas Distribution(2)	3342.33	+2.1	3274.07	3156.67	2380.39	1.95	1.56	‡	‡	26.03	1931.77
66 Water(12)	3678.47	-0.8	3707.86	3585.07	2926.48	4.65	3.99	2.33	11.53	112.14	2300.94
69 NON-FINANCIALS(627)	2540.42	+0.1	2537.43	2478.41	2359.50	3.09	2.64	1.93	20.93	50.20	2081.99
70 FINANCIALS(105)	4441.98	+0.2	4432.06	4317.08	4587.53	3.69	3.05	2.16	15.64	125.49	2073.78
71 Banks, Retail(12)	6237.39	+0.5	6209.56	5973.59	7058.06	4.09	3.27	2.12	14.45	196.98	2238.82
73 Insurance(16)	2014.97	-0.6	2026.56	1937.84	1881.95	3.49	3.38	2.24	15.98	73.90	1686.31
74 Life Assurance(7)	7105.94	+1.0	7037.23	6896.29	5098.32	2.67	2.31	2.51	18.63	118.11	3179.17
77 Other Financial(25)	3463.83	-0.9	3493.82	3525.83	3283.07	3.10	2.58	2.54	15.87	82.55	2122.77
79 Property(45)	1862.56	-1.0	1881.45	1863.10	1984.94	3.53	2.97	1.64	21.64	38.98	1231.67
80 INVESTMENT TRUSTS(115)	3165.03	-0.1	3168.87	3134.29	3462.77	2.55	2.07	1.17	41.83	51.80	1166.34
89 FTSE All-Share(847)	2444.89	+0.1	2441.56	2383.63	2339.19	3.22	2.72	1.98	19.63	52.87	2232.45
105 FTSE All-Share ex Inv Tr(732)	2456.28	+0.1	2452.77	2394.14	2341.46	3.23	2.74	2.00	19.35	53.48	1153.99
Information Technology	1427.34	+0.4	1421.55	1407.10	-	0.67	0.53	4.02	46.67	5.10	1432.28
FTSE Fledgling	1169.86	—	1169.86	1168.22	1283.06	3.77	3.06	1.37	24.15	25.85	1308.12
FTSE Fledgling ex Inv Tr	1196.73	-0.1	1199.58	1196.80	1287.93	4.06	3.29	1.45	21.17	29.08	1344.94
FTSE AIM	887.1	-0.4	890.3	888.4	1614.3	1.28	1.02	0.25	80.00†	7.45	822.33

Hourly movements

	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	5268.6	5256.3	5223.2	5205.1	5202.5	5198.5	5228.4	5242.6	5283.0	5192.5
FTSE 250	4741.9	4743.5	4728.5	4728.8	4726.4	4723.5	4720.6	4722.7	4744.1	4719.9
FTSE 350	2518.6	2513.9	2493.5	2492.4	2491.1	2489.3	2500.0	2506.6	2522.6	2487.0
FTSE SmallCap	2097.07	2095.73	2094.23	2093.01	2092.59	2092.02	2091.07	2089.98	2097.11	2089.79
FTSE All-Share	2442.21	2437.61	2424.48	2417.89	2418.71	2414.99	2424.77	2430.72	2443.42	2412.88

Time of FTSE 100 Day's high: 16:17:15 Day's low: 14:42:15. FTSE 100 1998 High: 6179.0 (20/07/98) Low: 5068.6 (12/01/98)
Time of FTSE All-Share Day's high: 16:17:00 Day's low: 14:42:00. FTSE All-Share 1998 High: 2905.20 (20/07/98) Low: 2376.30 (03/09/98)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	686	490	-4
AMVESCAP	781	415	-10
ASDA Group	3,300	186	-3½
[illegible]	[illegible]	[illegible]	[illegible]

هكذا من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

AMERICAS

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY SEPTEMBER 14 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY SEPTEMBER 11 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (72)	173.03	0.6	153.00	145.53	153.21	193.40	1.8	3.88	171.93	151.39	142.42	150.86	189.95	238.24	163.86	223.88
Austria (22)	190.28	0.2	168.25	160.04	168.48	168.37	1.1	2.01	189.96	167.25	157.25	166.88	188.58	253.73	181.50	195.82
Belgium (22)	367.33	1.1	324.79	308.94	325.24	318.32	2.0	2.15	393.17	310.77	300.83	318.87	312.09	398.52	224.33	230.42
Brazil (26)	121.69	7.5	107.80	102.35	107.75	264.24	7.7	4.45	113.06	99.56	93.67	99.22	245.31	308.59	102.58	287.56
Canada (119)	182.86	-0.9	161.68	153.79	161.90	200.61	-0.7	2.80	184.48	162.42	152.90	161.86	202.12	248.78	167.18	215.12
Denmark (34)	478.54	1.6	423.13	402.48	423.71	421.96	2.2	1.53	471.08	414.69	390.29	413.37	412.85	537.33	384.24	384.72
Finland (28)	436.92	3.8	386.33	367.46	386.66	475.45	4.7	1.89	420.93	370.63	348.88	369.35	454.01	506.46	257.50	298.58
France (78)	298.81	2.1	264.21	251.32	264.57	267.84	3.0	2.35	292.54	257.58	242.33	256.70	259.93	345.18	217.58	225.50
Germany (55)	268.75	2.4	237.63	226.03	237.96	237.96	3.4	1.34	262.34	230.89	217.31	230.19	230.19	325.61	204.80	215.94
Greece (37)	266.99	2.7	236.08	224.56	236.40	558.88	3.1	1.69	260.07	228.90	215.43	228.28	542.25	333.20	243.18	–
Hong Kong, China (66)	227.74	1.4	201.37	191.54	201.65	226.47	1.3	6.78	224.82	197.78	186.08	197.19	223.49	518.79	196.64	509.83
Indonesia (26)	25.47	2.7	22.52	21.42	22.55	180.48	-0.3	3.62	24.81	21.84	20.55	21.77	181.10	156.30	23.58	165.00
Ireland (16)	422.27	1.5	373.37	355.15	373.88	404.89	2.3	2.34	416.13	366.40	344.70	365.14	395.66	580.44	359.89	368.35
Italy (54)	148.19	4.0	131.03	124.64	131.21	[illegible]	4.8	1.57	142.94	125.51	118.08	125.08	177.57	184.49	102.05	102.05
Japan (480)	84.39	-0.2	74.62	70.97	74.72	70.92	1.3	1.11	84.59	74.49	70.07	74.23	70.87	123.67	78.40	119.83
Malaysia (106)	111.76	7.3	98.82	93.90	98.95	163.56	7.3	3.80	104.10	91.65	86.23	91.34	152.35	348.41	73.52	348.41
Mexico (29)	830.82	3.3	734.62	698.76	735.62	9569.72	3.1	2.85	804.42	708.29	666.34	705.85	9278.81	1901.58	787.15	1718.85
Netherlands (27)	463.94	1.7	410.22	390.28	410.78	406.75	2.6	2.29	456.29	401.77	377.97	400.38	396.54	562.38	390.20	394.24
New Zealand (14)	48.94	-1.4	43.28	41.16	43.34	50.47	-0.4	6.08	49.65	43.72	41.13	43.57	50.86	95.87	48.94	87.82
Norway (37)	228.47	2.0	202.02	192.16	202.28	[illegible]	2.4	2.88	224.02	197.25	185.58	196.57	229.43	374.64	208.82	336.35
Philippines (22)	43.58	2.6	38.54	36.65	38.59	94.80	2.2	1.72	42.48	37.41	35.19	37.28	92.73	107.87	42.48	107.87
Portugal (18)	248.17	2.2	219.44	208.73	219.74	[illegible]	3.1	1.10	242.75	213.74	201.08	213.80	287.53	299.38	225.61	–
Singapore (41)	113.02	2.4	99.94	95.06	100.07	90.31	3.3	3.94	110.42	97.29	91.47	96.90	87.45	317.80	102.45	317.40
South Africa (39)	164.53	1.4	145.48	138.38	145.66	223.56	0.8	4.84	165.19	142.01	134.33	142.32	222.09	346.20	161.55	329.82
Spain (31)	312.06	1.4	275.92	262.46	276.30	341.94	2.2	2.23	307.77	270.09	254.94	270.05	334.58	417.73	236.28	253.02
Sweden (49)	478.87	0.4	423.42	402.76	424.00	558.40	0.8	2.10	477.01	420.01	385.13	418.56	553.88	628.19	438.98	493.75
Switzerland (28)	378.24	1.7	334.44	318.12	334.90	[illegible]	2.9	1.26	371.88	327.44	308.04	326.31	319.89	430.48	292.79	292.79
Thailand (36)	8.83	-0.3	7.80	7.42	7.81	13.99	-0.5	6.74	8.86	7.80	7.34	7.77	14.06	45.52	8.15	40.21
United Kingdom (210)	343.51	2.2	303.73	288.91	304.15	303.73	2.7	3.22	335.97	295.82	278.30	294.89	295.82	401.84	306.88	308.88
USA (623)	419.30	2.1	370.75	352.65	371.25	419.30	2.1	1.56	410.58	361.51	340.10	360.27	410.58	485.88	358.31	376.31
Americas (797)	373.48	2.0	330.23	314.12	330.88	316.65	2.0	1.80	365.99	322.28	303.17	321.15	310.29	[illegible]	326.79	343.57
Europe (746)	324.67	2.1	287.08	273.07	287.47	296.10	2.9	2.28	317.89	279.90	263.32	278.93	287.82	386.24	267.44	298.84
Eurobloc (351)	94.04	2.3	83.15	79.09	83.27	[illegible]	3.2	1.91	[illegible]	80.95	76.15	80.67	87.32	113.28	90.92	–
Nordic (148)	444.34	1.4	392.69	373.72	393.43	445.08	2.0	2.00	430.22	385.85	363.00	384.52	436.50	555.97	388.51	421.41
Pacific Basin (863)	89.27	0.1	78.93	75.08	79.04	76.28	1.4	[illegible]	88.19	78.53	73.88	78.28	75.21	138.87	83.20	136.00
Euro-Pacific (1609)	187.33	1.6	165.64	157.56	165.67	159.07	2.5	2.17	184.43	162.39	152.77	161.83	155.22	220.18	172.83	191.49
North America (742)	403.52	2.0	356.80	339.39	357.29	404.33	2.0	1.58	396.58	348.31	327.57	347.10	386.35	469.20	349.08	368.27
Europe Ex. UK (536)	304.16	2.1	268.94	255.82	269.31	263.32	3.0	1.82	287.96	252.35	246.81	261.45	275.14	366.32	226.86	242.38
Europe Ex. Eurobloc (395)	88.53	2.0	78.28	74.46	78.39	87.15	3.6	2.67	89.82	76.45	71.92	76.18	84.98	108.98	86.54	–
Europe Ex. UK Ex. Eurobloc (185)	90.66	1.4	85.18	76.27	80.29	87.62	2.4	1.54	89.41	78.73	74.07	78.48	85.80	109.21	87.93	–
Pacific Ex. Japan (383)	140.83	1.4	124.53	118.45	124.70	145.89	2.9	4.97	139.62	122.20	114.88	121.81	145.97	279.07	128.26	277.22
World Ex. Eurobloc (2094)	88.50	1.7	78.25	74.43	78.39	[illegible]	2.0	[illegible]	85.60	76.59	72.06	76.38	88.92	109.18	83.83	–
World Ex. US (1822)	186.61	1.5	165.00	156.95	165.23	163.06	2.4	2.20	[illegible]	161.86	152.28	161.31	159.30	221.91	176.30	186.78
World Ex. UK (2235)	253.89	1.0	224.49	213.53	224.80	230.52	2.2	1.70	249.45	219.64	206.63	218.88	225.59	298.02	234.24	248.49
World Ex. Japan (1965)	349.55	2.1	309.08	294.00	309.50	340.63	2.3	1.95	342.50	301.58	283.71	300.53	332.82	411.23	309.33	321.46
The World Index (2445)	261.52	1.8	231.24	219.95	231.55	257.20	2.2	1.87	258.82	228.13	212.74	225.35	232.81	306.58	241.39	288.52

Emerging markets: IFC Investable indices

Dollar terms

Sept 14 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	610.41	+6.6	-45.3
Brazil	244.33	+6.8	-49.4
Chile	343.17	-0.6	-46.6
Colombia	[illegible]	-1.2	-61.0
Mexico	359.16	+2.8	-54.4
Peru	137.09	-0.1	-38.1
Venezuela	259.94	+1.2	-71.6
East Asia			
China	27.67	+3.6	-58.0
India	68.81	+2.5	-19.8
Indonesia	12.34	+1.6	-53.3
Korea	34.05	-3.5	+0.1
Malaysia	62.94	+7.6	-30.9
Pakistan	110.88	+3.9	-55.4
Philippines	82.82	+1.0	-44.5
Sri Lanka	62.62	+1.6	-46.2
Taiwan, China	106.89	-0.1	-24.4
Thailand	33.20	-0.2	-28.4
Europe			
Czech Rep	44.59	+1.3	-17.8
Greece	480.29	+2.8	+48.3
Hungary	200.29	+6.0	-38.4
Poland	509.57	+4.4	-14.6
Portugal	276.82	+1.9	+31.2
Russia	23.63	+11.5	-84.1
Slovakia	55.69	-2.0	-43.6
Turkey	141.49	-1.0	-54.7
Mideast/Africa			
Egypt	89.61	+0.4	-25.2
Israel	112.19	+3.9	-7.8
Jordan	227.78	-0.9	+6.3
Morocco	179.11	-1.1	+37.5
S Africa	104.70	+2.3	-41.8
Zimbabwe	125.55	-0.1	-60.1
Regions			
Composite	151.47	+2.4	-38.4
Latin America	333.11	+8.6	-50.8
Asia	78.00	+1.3	-29.5
EMEA	102.37	+2.4	-30.7
Europe	131.41	+2.8	-30.3
Eastn Europe	51.21	+6.4	-63.5
ME & Africa	48.31	+2.1	-31.1

4 pm close September 15

NEW YORK STOCK EXCHANGE PRICES

- X - Y - Z -

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
118½	66	Xerox x	1.44	1.6	73	11137	88	86½	87¾	+¼
66	48½	Xtra Corp			15	745	56½	55¼	55¾	-1¼
28	22¾	Yankee Egy x	1.28	5.6	19	98	24	24	24	+
62¼	32	York Int	0.48	1.4	28	1089	34	33½	33	+
24	9	Zapata	0.28	2.9	3	1871	10	9	9	+
30½	23	Zenith Nat	1.00	3.9	15	78	25	24¼	25	+
8	5	Zweig Inc	0.70	10.7		150	6½	6	6½	+
14	8	ZweigFd	1.24	11.8		515	10	10½	10	+
9	8	Zweig Tot x	0.84	9.9		1128	8	8¼	8½	+

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

advertisement

EUROBENCH® "INSECTS®" INDICES

European Benchmarks nv-sa (EuroBench) is a self-regulated, independent index publisher based in Brussels and London. The INSECTS® are pan-European equity "INdices on SECTorS" based and weighted on the volatility and correlation of each of the index constituent stocks with the sector trend. The selection of INSECTS® constituents is from the TOP 500 European stocks by market capitalisation. Values are continuously updated (every 5 seconds) on Bloomberg, Bridge, Reuters, Telerate, Telekurs and TES from 08.00 to 18.15 CET. Prices preceded by I = indicative value, SETT = settlement

Sector		SETT 15-09-1998	Close 15-09-1998	Previous 14-09-1998	Change on day	% Change	1998 HIGH	1998 LOW
Financials	USD	1772.82	1765.50	1793.77	-28.22	-1.13	2451.60	1364.48
IN-FIN	DEM	2080.72	2081.52	2124.31	-42.69	-2.01	3080.15	1641.19
Non-durable goods	USD	1653.38	1653.50	1664.89	-11.33	-0.68	1780.72	1163.48
IN-GOODS	DEM	1950.72	1949.58	1980.52	-30.94	-1.56	2195.03	1389.43
Oils	USD	1280.40	1280.60	1280.87	-0.78	-0.06	1633.56	1132.90
IN-OIL	DEM	1528.13	1518.68	1533.21	-14.52	-0.94	2027.16	1358.72
Pharma-chemicals	USD	1413.47	1421.06	1426.83	-5.75	-0.40	1880.68	1227.00
IN-PHARMA	DEM	1667.60	1673.49	1697.32	-21.84	-1.28	2715.57	1475.94
Telecoms	USD	2104.58	2128.60	2157.12	-28.52	-1.32	2437.22	2048.51
IN-TELCO	DEM	2530.82	2508.07	2565.07	-56.40	-2.19	3072.26	2431.06

Further information about the INSECTS and constituents are available for download on our web-site HTTP://WWW.EURO-INSECTS.COM and further information about EuroBench is on HTTP://WWW.EUROBENCH.COM. A free daily email service can also be subscribed to on the web. For hard copy information please call London (+ 44 171 396 7888) or Brussels (+32 2 508 94 80).

♣ FT Free Annual Reports Club

You can obtain the current annual reports and if available quarterly reports of any companies on the US exchanges with a ♣ symbol. To order reports ring (International Access) 1-804-32 0-8067 or give the names of the companies whose reports you want and fax your request to (International Access) 1-804-320-8135. Reports will be sent the next working day, subject to availability. You can also order online at http:// www.icbinc.com/cgi-bin/ft.

هكذا من الأصل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Sep 14	Sep 11	Sep 10	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	7945.35	7795.50	7615.54	9337.97 (17/7)	7539.07 (31/8)	9337.97 (17/7/98)	41.22 (8/7/32)
Home Bonds	105.83	105.82	105.41	105.85 (11/9)	104.42 (11/5)	105.85 (11/9/98)	54.99 (1/10/81)
Transport	2605.14	2570.17	2531.51	3686.02 (16/4)	2616.75 (4/9)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	287.04	281.08	278.35	295.48 (6/7)	262.86 (9/1)	295.48 (6/7/98)	10.50 (8/7/32)

DJ Ind. Day's high 8001.29 (7866.31) Low 7849.83 (7487.38) (Theoretical)
Day's high 8038.06 (7817.26) Low 7798.53 (7518.08) (Actual)

Standard and Poors	Sep 14	Sep 11	Sep 10	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1029.72	1009.06	980.19	1186.75 (17/7)	927.69 (9/1)	1186.75 (17/7/98)	4.40 (1/6/32)
Industrials¶	1229.09	1200.72	1175.58	1380.48 (17/7)	1027.46 (9/1)	1380.48 (17/7/98)	3.52 (30/6/32)
Financial¶	110.74	107.31	102.28	147.86 (14/7)	102.25 (10/9)	147.86 (14/7/98)	7.13 (4/10/74)
Others							
NYSE Comp.	510.21	500.65	487.77	600.75 (17/7)	480.60 (31/8)	600.75 (17/7/98)	4.54 (25/4/42)
Amex Comp	615.30	613.21	606.23	753.67 (22/4)	565.07 (31/8)	753.67 (22/4/98)	524.26 (10/7/98)
NASDAQ Comp	1665.89	1641.64	1586.23	2014.25 (20/7)	1499.22 (31/8)	2014.25 (20/7/98)	54.87 (9/10/74)
Russell 2000	357.72	353.82	344.97	491.41 (21/4)	337.95 (31/8)	491.41 (21/4/98)	123.38 (7/12/93)

RATIOS

	Sep 11	Sep 4	Aug 28	Year ago
Dow Jones Ind. Div. Yield	1.91	1.95	1.84	1.88
	Sep 9	Sep 2	Aug 26	Year ago
S & P Ind. Div. yield	1.43	1.47	1.33	1.54
S & P Ind. P/E ratio	29.54	28.84	30.83	24.80

US DATA

MARKET ACTIVITY

● Volume (million)

	Sep 14	Sep 11	Sep 10
NYSE	715.271	823.383	882.127
Amex	27.488	39.831	30.078
NASDAQ	808.786	789.857	788.421

NYSE	Sep 14	Sep 11	Sep 10
Issues Traded	3,592	3,597	3,813
Rises	2,104	2,858	775
Falls	1,061	1,804	2,346
Unchanged	427	435	730
New Highs	24	24	21
New Lows	174	380	539

NYSE TRADING ACTIVITY

Volume : 715,271,000

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Disney	10,851,400	24¾	-3¼
PhMorr	9,948,100	44	+⅝
Travlr	8,593,600	41⅝	+⅝
Telebras	8,353,100	90⅝	+2⅝
Cendant	7,012,100	12⅞	+⅞
Compaq	6,472,900	32⅝	+⅞
GenElec	6,195,200	79	-⅜
IBM	6,109,400	128⅜	+4⅞
Citicp	6,098,900	10⅞	+4⅛
AT&T	5,992,900	57⅝	+1⅜

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Revlon	12⅝	+3¼	+34.7
Cdr Swiss	22⅝	+3⅛	+16.8
StandPacific	14⅝	+1⅞	+11.6
ConsLabs	10⅝	+1⅛	+11.1
Downs			
Disney	24¾	-3¼	-11.5
Firstmark	25⅝	-2⅝	-9.3
Mother Fab	25⅞	-1⅜	-6.4
FlmEye	64¾	-4⅜	-6.1

NASDAQ TRADING ACTIVITY

Volume : 808,786,000

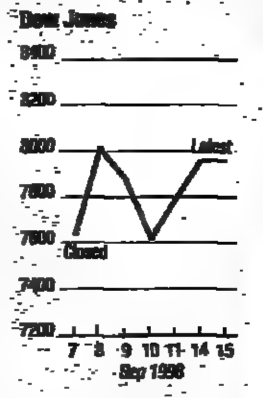
ACTIVE STOCKS

[illegible]

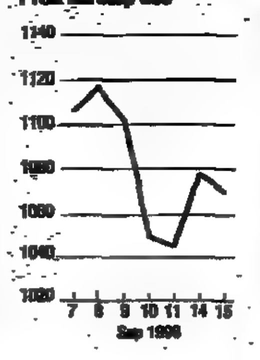
BIGGEST MOVERS

[illegible]

Dow Jones



FTSE Eurotop 300



JAPAN

[illegible]

GERMANY

[illegible]

FRANCE

[illegible]

UK

[illegible]

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	1027.00	1032.00	+1.80	1032.50	1021.00	[illegible]	[illegible]
Dec	1039.30	1042.80	+1.80	1044.50	1030.50	[illegible]	[illegible]
Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Dec	13920.0	14320.0	-	14350.0	13710.0	[illegible]	[illegible]
Mar	13800.0	14150.0	-	14150.0	13800.0	[illegible]	[illegible]

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

[illegible]

THE NASDAQ STOCK MARKET

4 pm close September 15

[illegible]

THE NASDAQ STOCK MARKET

[illegible]

AMEX PRICES

4 pm close September 15

[illegible]

EASDAQ

[illegible]

STOCK MARKETS

Tietmeyer helps take wind out of rally

WORLD OVERVIEW

The latest rally by global equity spluttered to a halt yesterday, as so many others have since the correction began in mid-July, *writes Philip Coggan.*

Comments from Hans Tietmeyer, the Bundesbank president, cast doubt on the assumption which carried the markets sharply higher on Monday – that G7 nations would make a co-ordinated move to cut interest rates and avert a global recession.

Mr Tietmeyer said world economic conditions were too varied for a co-ordinated policy easing and that there was no fundamental reason to cut European rates.

However, Latin America equity markets rallied on the back of hopes of help from the G7, despite continuing fears of devaluation and default.

Moody's, the rating agency, said: "The likelihood that countries in the Latin American region will resort to capital controls, debt rescheduling, debt moratoria, or any combination of these actions before their reserves are full depleted has increased significantly."

Geoffrey Dennis, global emerging market equity strategist at Deutsche Morgan Grenfell, said: "After a 32 per cent drop in the IFC Composite index between July 20 and September 4, the scale of any additional downside in emerging markets is likely to be limited.

"However, the next long-term bull market is unlikely to start until the spectre of deflation has disappeared and investors can begin to rely again on GDP and earnings growth forecasts to assess value. The immediate outlook, as we have argued now for over a month, is for short sharp rallies and renewed, but limited, declines."

The emerging market crisis, and the resultant slowdown in world economic growth, continue to prompt worries about the prospects for corporate earnings.

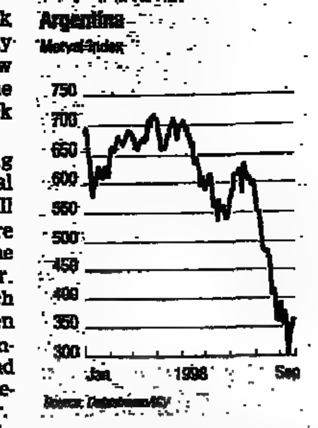
On Monday, Walt Disney had been the latest US company to issue an Asian-related profits warning; yesterday, Michelin revealed a worse-than-expected 13 per cent drop in operating profits. This time, the reason was not Asia but a rise in operating costs; the shares dropped 10.7 per cent.

In the face of these factors, European markets were generally lower on the day although most lost only a small portion of Monday's gains.

With Tokyo closed for a holiday, Asia was quiet, except for Indonesia where rumours that the government was about to follow the Malaysian example of capital controls, sent the Jakarta market down by nearly 9 per cent. Wall Street opened weaker but was flat by lunchtime in New York.

EMERGING MARKET FOCUS

Identity crisis for Argentina



Argentina's embattled stock market has rallied strongly with gains in the last few days helping to wipe out the 13 per cent decline on "Black Thursday" last week.

However, as trading opened yesterday the Merval leading share index was still registering a fall of more than 50 per cent from the beginning of the year. Shares last plumbed such levels in early 1995, when crisis was battering Argentina's financial system and straining its currency's one-for-one link with the dollar.

Traders are anxiously wondering where in the world the next blow will come from. Events in Asia and Russia, the political fallout from the Clinton crisis and last week's devaluation scare in Brazil have all weighed heavily.

Within this complex international context, the Merval and broader market have struggled to define a trajectory of their own, and trading continues to take its cue from Wall St and São Paulo.

However, the departure of foreign investors from Argentina is steadily changing the dynamics of the stock market, said Christopher Ecclestone of brokers Interacciones. "The buyers are locals, while the sellers are almost all foreigners, plus some distressed locals."

Local private pension funds and individual investors were being tempted in by low prices and attractive yields, he said. "They've got stronger nerves than the foreigners." Trading on Monday also saw stock shortages, helping to push up prices.

Both domestically and internationally there have been some positive developments for investors. Strong words of support for Latin America have come from Michel Camdessus, managing director of the International Monetary Fund, and from the US administration.

The tight 1999 budget presented to Congress on Monday by Roque Fernández, the economy minister, was deemed worthy and uncontroversial by markets despite containing economic projections widely considered as highly optimistic.

In addition, the ruling Peronist party has had some success in pushing legislation through Congress, easing fears that President Carlos Menem would be a lame duck leader in the run-up to next year's presidential elections.

Argentine officials have also been finalising a package of loans up to $6bn from multilateral and commercial lenders to stave off liquidity problems to the end of the first quarter of next year in the event of the government being unable to raise fresh cash in the bond markets.

Officials insist this financing is intended only for use in the worst-case scenario, revolving around a possible devaluation or default in Brazil.

"International support for Brazil is the key to stabilise the situation," said one local analyst. "Looking beyond that, even assuming an orderly end to international troubles, I see problems of competitiveness for Argentine companies and sharp economic slowdown, so people very much need to be looking at defensive stocks."

Ken Warn

Fears over profits leave Wall St adrift

AMERICAS

US shares drifted in range-bound conditions at midsession with a growing number of major companies issuing quarterly earnings warnings, *writes John Labate in New York.*

"The fact that the market can rally in oversold conditions doesn't mean it can sustain itself," said Larry Wachtel, market analyst at Prudential Securities in New York.

On Monday the market managed to make convincing gains in addition to those made last Friday in spite of the controversies surrounding the possible impeachment of President Bill Clinton. Stock price gains by midday yesterday were slight in comparison.

By early afternoon the Dow Jones Industrial Average was up 30.12 at 7,975.47 while the broader Standard & Poor's 500 had gained 1.30 at 1,031.02.

Technology and small-cap shares were taken lower, however, sending the Nasdaq composite down 3.38 at 1,682.31 and depressing the Russell 2000 by 2.02 at 355.70.

Investor attention turned toward the prospects for corporate results in the weeks ahead of the third-quarter reporting season. "All you do know is that this is going to be the worst third quarter in terms of profits growth in nearly seven years, so you still can see the hesitation," said one broker.

Minnesota Mining & Manufacturing slid $$\frac{9}{16}$ to $70½ after Morgan Stanley Dean Witter expressed concern about its upcoming earnings report. Cyclical leader, Cummins Engine, warned third-quarter revenues would be 7 to 10 per cent below the second quarter.

BankAmerica fell $2 to 61\frac{13}{16}$ after the bank issued new details about its loan losses. Other major banks, however, pushed higher. The Philadelphia Stock Exchange's bank index climbed 1 per cent to 686.54.

Coca-Cola fell 1\frac{1}{16}$ to $62 after an analyst at Lehman Brothers scaled back its estimate of 1998 earnings as well as its stock price target. Shares of Walt Disney rebounded, one day after the company issued its own warning, up $¾ at 25\frac{1}{16}$.

TORONTO was led higher by firmer bullion and gold stocks, with strength in the banking sector after a government commission recommended an end to the ban on bank mergers.

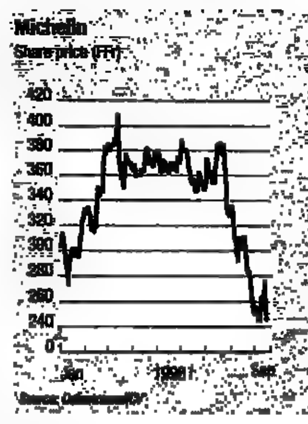
The 300 composite index sprinted ahead early in the day, but by midsession had given up some of its early strength and stood 10.60 higher at 5,890.00.

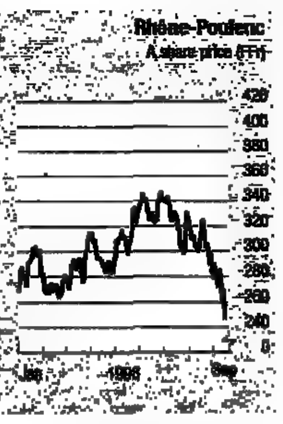
Royal Bank of Canada was C$1.45 higher at C$67.70, Bank of Montreal put on 90 cents to C$62.40, and Toronto Dominion Bank gained 85 cents to C$45.50. Canadian Imperial Bank of Commerce, however, eased 30 cents to C$32.80.

Shares in Amber Energy jumped C$2.55 to C$7.10 in heavy volume after Alberta Energy took the market by surprise with a C$450m unsolicited takeover bid for the troubled heavy oil producer.

Paris punctured by Michelin

EUROPE





Dramatic declines in PARIS for Michelin and Rhône-Poulenc tipped the balance of a mixed trading day, sending the CAC 40 index 16.81 lower at 3,698.00.

Michelin was severely deflated by six-monthly results that came in towards the bottom of the forecast range. After last week's bumper numbers from Peugeot, sentiment in the motors sector had been riding something of a bull story.

The tyre leader lost FFr29.60 or 10.7 per cent to FFr246.40. Renault shed FFr2.50 to FFr280 and Valeo hardened FFr3 to FFr473 ahead of results that came after market hours.

Rhône-Poulenc crumpled after the group confirmed that the US Food and Drug Administration had made a production ruling on Centeon, a US joint venture.

The shares fell FFr23 or 8.6 per cent to FFr246.10 in heavy turnover of FFr1.35bn as brokers fretted about the negative implications for Rhône's earnings. Problems at Centeon affected Rhône's total 1997 results.

Thomson-CSF bounced FFr3.20 to FFr203.20 as investors focused on the restructuring message in the interim figures rather than immediate earnings trends.

In a weak banking sector, BNP rose FFr8 to FFr358 and brokers turned more positive, notably Goldman Sachs, which upgraded the stock to "market outperformer".

Promodès lost FFr111 at FFr3,298. Société Générale placed a block of 300,000 shares at FFr3,306 on behalf of Banco Bilbao Vizcaya while Merrill Lynch cut its intermediate rating to "reduce". But the US broker lifted Vivendi to "buy", helping to push the shares up FFr20 at FFr1,299.

Bouygues Offshore rose FFr9.90 to FFr164 on better-than-expected first-half results.

FRANKFURT was lower in muted trade, awaiting further clues on US monetary policy from today's testimony by US Fed chairman Alan Greenspan to the House banking committee.

The Xetra Dax index lost 41.95 to 4,851.56.

Among exporters hit by the weak dollar, BMW lost DM41 to DM1,305.00.

Bank shares enjoyed an early rally after ING Group said it had increased its stake in BHF Bank to 39 per cent from 4.5 per cent, but subsequently fell with the rest of the market. BHF Bank was suspended but Commerzbank gave up DM1.76 to DM50.90.

Among the insurers, Allianz, expected to post solid first-half results tomorrow, lost DM9 to DM500.

Chemicals and pharmaceuticals groups were also losers. Schwarz Pharma closed at a year's low of DM102, down DM5, while Henkel fell DM2.30 to DM143.10.

AMSTERDAM came off 18.96 at 1,014.70 on the AEX index. Akzo Nobel and KLM managed to side-step the broad downturn.

Akzo added 80 cents at Fl 80, while KLM, boosted by agreement in the pilots' strike at Northwest Airlines, KLM's transatlantic partner, hardened Fl 1.20 to Fl 65.40.

ING pushed higher at the opening bell following the news that it planned to increase its shareholding in Germany's BHF-Bank to 39 per cent from 4.5 per cent, but fell back later in the day to close off 50 cents at Fl 105.80.

KPN, hit lately by concerns about tariff cuts, fell a further Fl 4 or 5.9 per cent to Fl 64 in spite of an upgrade at Paribas. The bank, which predicts double-digit earnings growth over the next three years, moved from "hold" to "buy".

ZURICH was lower on derivatives-related selling by foreign investors and the SMI index finished 95.7 or 1.4 per cent lower at 6,585.7.

Financials, which staged a recovery on Monday, came under renewed pressure. CS Group was SFr7.75 or 3.6 per cent lower at SFr207.25 while UBS recovered from a low of SFr424 to close SFr6 down at SFr429.

Among the insurers, Baloise, which is expected to announce today a rise in first-half net profits of between 28 per cent and 35 per cent, lost SFr43 at SFr1,050.

Inspections group Surveillance was again under pressure, after Monday's recovery. The stock lost SFr35 to SFr1,125.

OSLO turned its attention to the financial sector as the market awaited the outcome of merger talks between Christiania Bank, Fokus Bank and the state-owned Postbanken, agreed late in the session.

Christiania and Fokus were suspended but other financials gained on the deal. Den norske Bank was higher for much of the session but closed flat at NKr27.90. Insurer Storebrand put on NKr0.50 to NKr53.50.

The total index, however, finished 16.58 lower at 963.56 as Saga Petroleum crashed NKr10 to NKr73 after warning that eight-month results, due on September 30, would include NKr2.5bn of write-downs.

MADRID saw further heavy selling of the big banks after Cristobal Montoro, the Spanish government's economy secretary, severely dented sentiment by telling a parliamentary commission he did not rule out a chain of Latin American devaluations.

Santander fell Pta50 to Pta2,190 and BBV lost Pta70 at Pta1,515 for a two-day decline of 12 per cent.

Written and edited by Michael Morgan, Jeffrey Brown, Paul Grogan and Peter Hall

G7 boosts São Paulo

Stocks surged across Latin America in the wake of the statement from the Group of Seven industrial nations, later echoed by President Bill Clinton, that they would extend help to the region's economies should they need it.

SAO PAULO soared 11.2 per cent by midsession, overcoming early falls following weak interest at the privatisation auction of power utility Gerasul.

The Bovespa index was 650 higher at 6,469.

MEXICO CITY put on 8.9 per cent as the peso showed renewed signs of life and political parties appeared closer to resolving the impasse over a controversial bank bailout plan.

The IPC index was 268.66 higher by midsession at 3,292.65.

BUENOS AIRES shot up 8.8 per cent at midsession, tracking the strong gains in Brazil. The Merval index rose 29.83 to 369.56.

SANTIAGO's IPSA index jumped 4.5 per cent to 57.01.

Golds help Jo'burg higher

SOUTH AFRICA

Shares in Johannesburg improved for the second day running with the all share index gaining 65.5 to 4,846.3, although sentiment was said to have remained fragile.

Futures-related buying ahead of tomorrow's expiries helped underpin the market. Industrials gained 77.8 to 5,476.3 and financials added 110.6 at 6,599.0.

Golds reversed Monday's weakness, but ended short of the best of the day with the index up 2.6 at 1,025.1

Jakarta plunges on rupiah talk

ASIA PACIFIC

Rumours sweeping the market that Indonesia was poised to introduce currency controls sent JAKARTA plunging almost 9 per cent to its lowest level since February 1993.

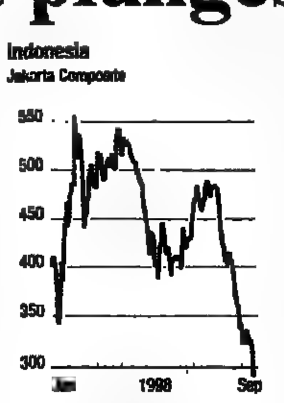
The composite index dived 28.44 to 292.15 in spite of a denial from Bank Indonesia that there were plans to impose Malaysian-style foreign exchange controls on the rupiah.

The market was dented by government comments that Telkom could lose its domestic telecommunications monopoly and Indosat and Satelindo their international telecoms duopoly.

Telkom shares ended Rp300 or 15 per cent lower at Rp1,700 while Indosat fell Rp1,125 or 15.8 per cent to Rp6,000. Telkom was the day's busiest share.

Tokyo was closed for a public holiday

Analysts noted that speculation about the likelihood of a switch to a managed exchange rate was fuelled after Hubert Neiss, the International Monetary Fund's Asia-Pacific director, said on Monday the IMF was looking carefully at Malaysia's recently imposed controls.



Mr Neiss said such a system might give a country the chance to insulate interest and exchange rates from external forces and then push ahead with financial reforms. But he added that there was also a risk that taking external pressures out the system would make reforms less likely.

SYDNEY continued to push higher, helped by strong gains for News Corp and Rio Tinto. The all ordinaries index ended up 44.1 at 2,544.3 for a two-day advance of 3.5 per cent.

Volumes were on the light side with most of the upside push for selected blue chips coming from offshore. News Corp rose 34 cents to A$10.78 with the overnight advance of the ADRs in New York, while Rio Tinto put on 71 cents or 4 per cent at A$18.72 after a strong London showing.

Second-tier miner Savage Resources was the market's latest takeover tip, surging 9 cents to a five-month peak of 74 cents in turnover of A$7.5m, nearly 2 per cent of total market capitalisation.

WELLINGTON gained from a wave of late buying. Blue chips bounced and volume swelled, and the 40 capital index ended up 43.37 or 2.5 per cent at a high for the session of 1,762.63. NZ Telecom gained 20 cents at NZ$7.50 and Carter Holt Harvey added 17 cents at NZ$1.44. Lion Nathan rose 10 cents to NZ$4.40.

MANILA added to Monday's gains with investor sentiment remaining positive in spite of further export shrinkage in July – the sixth fall in as many months – and central bank support for the peso.

The composite index closed up a further 39.64 to 1,140.40 for a two-day rise of 5.6 per cent. Among leaders, PLDT rose 35 pesos to 730 pesos and San Miguel B shares gained 1.50 pesos to 45 pesos. Ayala Land added 60 centavos to 5.60 pesos.

SEOUL moved lower as the queues for new issues of equities and bonds lengthened and supply pressures built. Foreign funds were said to be steady sellers and the Kosp index came off 3.95 or 1.3 per cent at 310.29.

Samsung Electronics fell Won1,050 to Won40,900 and Hyundai Electronics came off Won900 at Won29,700. Trigem Computer jumped Won540 to Won5,090 on talk the group was developing a new generation of laptops.

SINGAPORE saw out the last day of trading for Malaysian shares uneventfully as investors switched their attention to smaller capitalised local stocks.

The Straits Times index staged a mini-rally, climbing to 913.14 in early afternoon before profit-taking pulled it back to 902.28, up 24.45 or 2.8 per cent. Malaysian shares traded over the counter were also mostly up with the UOB-OTC index ending 1.8 per cent higher at 227.57.

HONG KONG was encouraged by a strong performance by China-related stocks, boosted by talk about a possible Chinese interest rate cut in the near future.

The Hang Seng index finished 71.61 higher at 7,733.47, off a high of 7,837.96, while the red chip China-Affiliated Corporations index added 2.8 per cent and H-shares gained 6 per cent.

هكذا من الاصل

ETS

MARKET FOCUS

Identity crisis for Argentina

AUTOMOTIVE DIV...

...RIPLEX LLOYD BY

...NCASTERS...

...IONAL BUY OUT...

...DREW VENTURES

...NCASTERS PLC

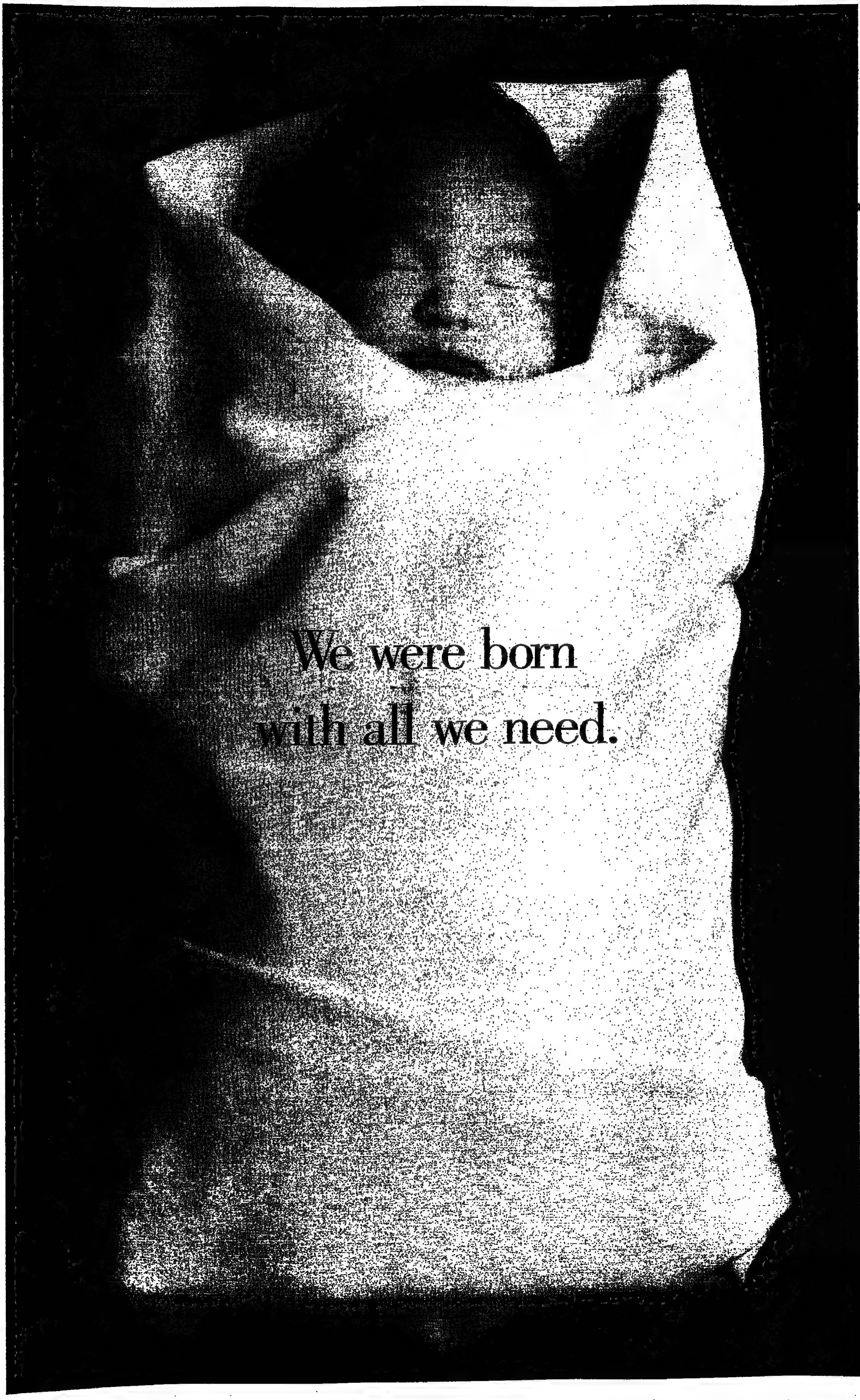
ADVISED BY

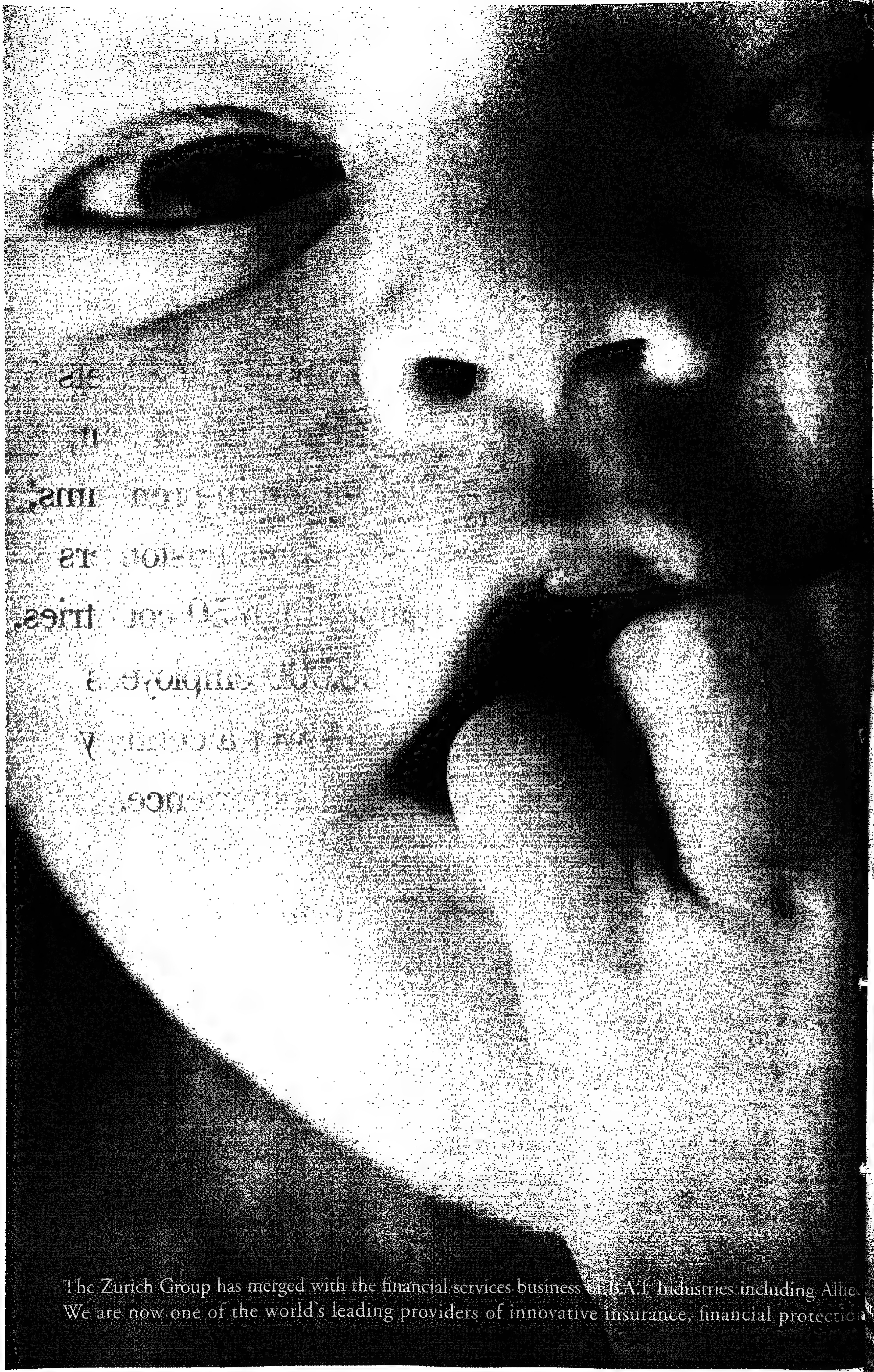
...TERHOUSECOOPERS

...NSACTION VALUE

£66 MILLION

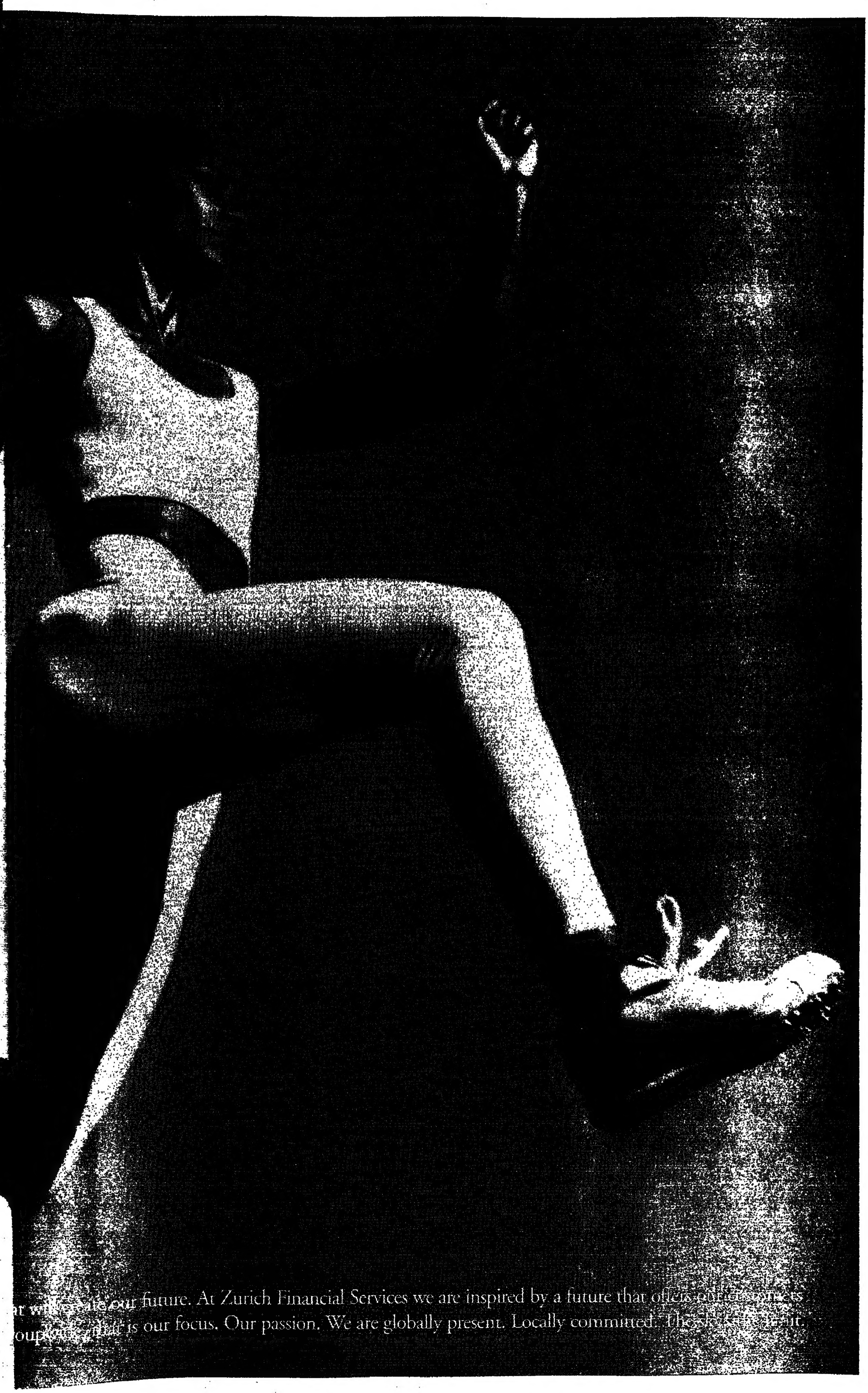
...ERHOUSECOOPERS

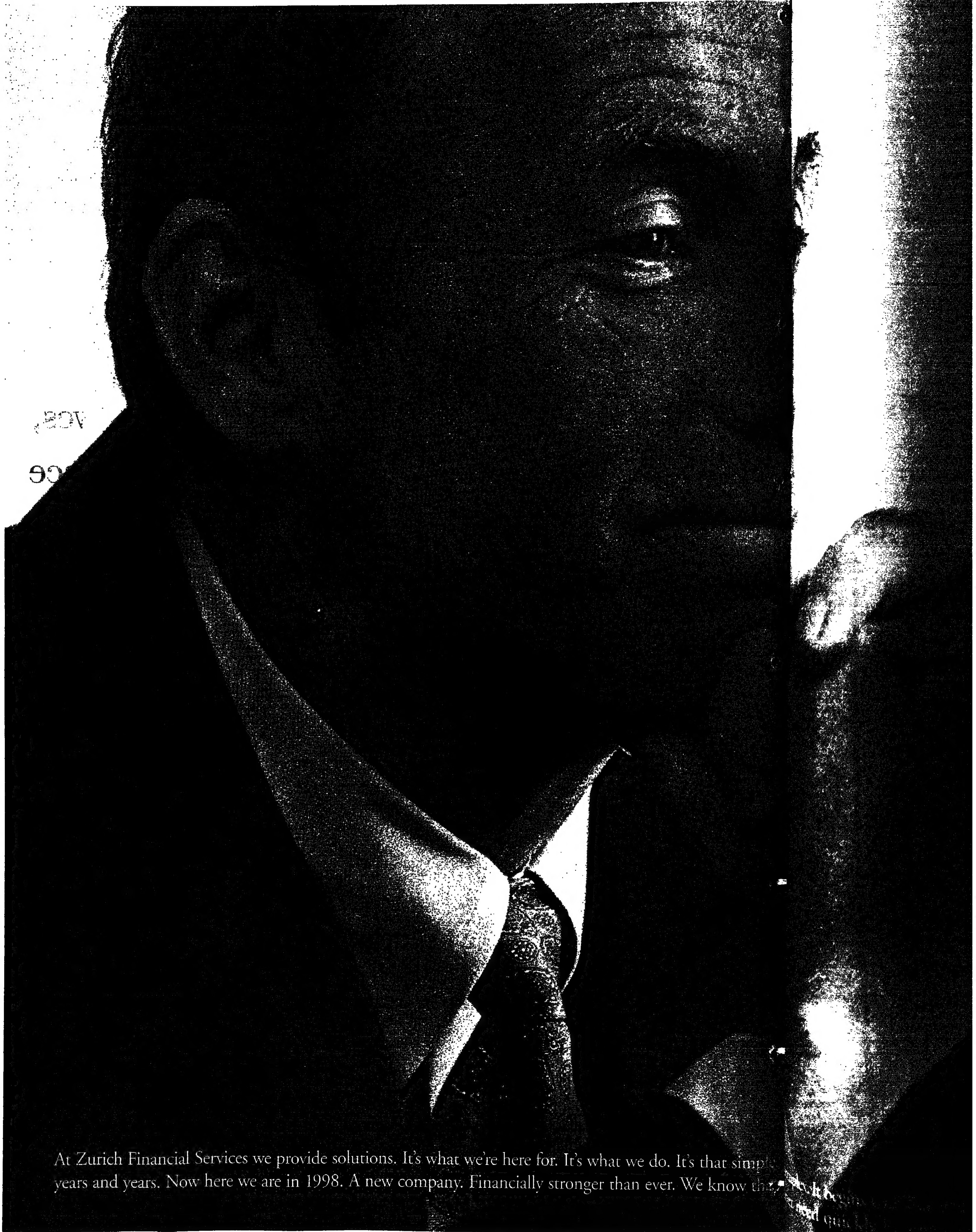



The Zurich Group has merged with the financial services business of B.A.T Industries including Allie
We are now one of the world's leading providers of innovative insurance, financial protectio

صكنا من الاجل

هكذا من الاصل





هكذا من الأصل

هكذا من الاصل

25 years from now, you won't remember this merger. But you'll still be feeling its effects.

We didn't create a new company just to make today's headlines. We're looking ahead. Three years. Five years. 25 years. Beyond. And, while the who, what, when, where and how much of our merger says a lot, its real value will be measured, over time, in tangibles, like shareholder value. And intangibles, like peace of mind for our customers. So where will you be in 25 years? Let's figure it out. Together.

ZURICH
FINANCIAL SERVICES

Your aspirations. Our passion.

www.zurich.com